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Clinton's Choice: Tell All or Just a Bit

He Brainstorms With Aides on a Version the Public Will Accept

By Richard L. Berke
New York Times Service

WASHINGTON — President Bill Clinton has had extensive discussions with his inner circle of advisers about a strategy of acknowledging to a grand jury on Monday that he had sexual encounters with Monica Lewinsky in the White House, senior advisers have said.

Although Mr. Clinton has not settled on this approach, discussions have centered on a plan that would allow him to acknowledge a specific type of sexual behavior while still maintaining that he told the truth when he testified in January that he had never had "sexual relations" with the former White House intern, the advisers said.

Mr. Clinton would say he based his previous denial, in a deposition in the Paula Jones lawsuit, on a definition of sex that the judge in the case had approved.

His advisers believe the definition accepted by the judge does not apply to certain variations, including oral sex.

For months, Mr. Clinton has publicly denied any sexual relationship with Ms. Lewinsky. So an acknowledgment of some kind of sexual encounter poses considerable political risk, particularly if it were linked to a legal argument that rests on a narrow definition of what the word "sex" means.

But Mr. Clinton's advisers have said that telling anything less than the truth to a grand jury about sex with Ms. Lewinsky would pose an even greater risk.

It is not clear how precisely Mr. Clinton has described his relation-

ship with Ms. Lewinsky to his lawyers.

Once Mr. Clinton settles on what to say to the grand jury, which will hear him Monday, he must decide whether, and how, to explain to the American public his testimony.

Several Clinton advisers said there is a consensus that he should speak publicly, perhaps in a brief televised speech, after he has testified. Several advisers said the feeling is that the president's testimony will somehow be leaked to the public anyway, so he should portray it from his point of view, which would oblige him to offer some

specifics about the relationship.

The advisers cautioned that preparations for the grand jury appearance are continuing and that the strategy could still change as the president continues to examine the legal and political implications of various courses.

It could be that some of the president's advisers are discussing his possible approach with reporters to gauge the political reaction.

The president has been severely limited in his ability to take political soundings, because anyone he talks to other than his private lawyers and his wife is vulnerable to subpoenas from Kenneth

Starr, the independent counsel.

The most crucial discussions have been confined to a small group of advisers, all of whom have some recognized privilege that may be invoked against prosecutors seeking to learn of their advice.

They include Mr. Clinton's wife, the lawyers Mickey Kantor, former secretary of commerce, and David Kendall, along with other lawyers in Mr. Kendall's firm of Williams & Connolly.

Even as the president's advisers review his options, some have prefaced their remarks by saying that it is still possible Mr. Clinton will say again, as he has publicly, that he never had "sexual relations" with Ms. Lewinsky.

Rahm Emanuel, a senior political adviser to the president, declined Thursday to discuss Mr. Clinton's legal options.

Democrats and Republicans alike have suggested that even a mild and delicately worded con-

clusion to President Bill Clinton's case:

What exactly does the word "sex" mean?

iSee CLINTON, Page 5



Rebels fighting to overthrow the government of Laurent Kabila brandishing rifles after meeting a commander Friday in a Congolese town.

U.S. Pressed UN to Cancel Iraqi Arms Inspections

By Barton Gellman
Washington Post Service

WASHINGTON — The Clinton administration has intervened secretly for months, most recently Aug. 7, to dissuade United Nations weapons teams from mounting surprise inspections in Iraq because it wished to avoid a new crisis with the Baghdad government, according to knowledgeable American and diplomatic accounts.

The interventions included an Aug. 4 telephone call between Secretary of State Madeleine Albright and Richard Butler, executive chairman of the UN Special Commission responsible for Iraq's disarmament, who spoke on a secure line from the U.S. Embassy in Bahrain.

As a team of specialists stood poised in Baghdad, according to persons acquainted with the call, Mrs. Albright urged Mr. Butler to rescind closely held orders. The team was to mount "challenge inspections" at two sites where intelligence leads suggested they could uncover forbidden weapons components and documents describing Iraqi efforts to conceal them.

After a second high-level caution from Washington on Aug. 7, Mr. Butler canceled the special inspection and ordered his team to leave Baghdad.

The disclosures were made Thursday by officials who regarded the abandoned leads as the most promising in years and objected to what they described as the American role in squelching them.

U.S. efforts to forge a go-slow policy in Iraq have coincided with the announcement by Baghdad that it would halt nearly all cooperation with the UN commission and the Vienna-based International Atomic Energy Agency. The two panels are responsible for ridding Iraq of ballistic missiles and biological, chemical and nuclear weapons.

The behind-the-scenes campaign of caution is at odds with the Clinton administration's public position as the strongest proponent of unconditional access for the inspectors to any site in Iraq. Led by the United States, and backed by American threats of war, the Security Council has demanded repeatedly since 1991 — most recently in Resolution 1154 on March 2 — that Iraq

See IRAQ, Page 5

A DAY'S RELIEF FOR TWO TROUBLED MARKETS

Seeing Vultures Circle, Hong Kong Gets Tough

By Mark Landler
New York Times Service

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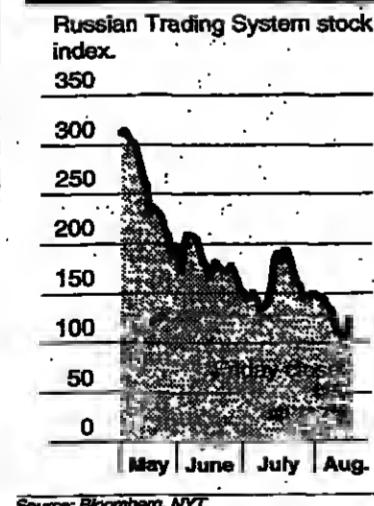
"We do not tolerate attempts by speculators to manipulate our interest rates," Sir Donald said as he stood next to the chairman of the Hong Kong Monetary Authority, Joseph Yam, at a news conference.

Sir Donald Tsang, the financial secretary of Hong Kong, said that the government had taken the rare step of dipping into its reserves to buy shares and futures contracts because it believed that currency traders were manipulating the territory's financial markets to make "speedy profits."

The move was announced after the stock market closed. But rumors of the intervention earlier galvanized the market, which had been battered by heavy losses all week.

The Hang Seng index rebounded 8.5 percent, or 564.27 points, to 7,224.69, its ninth-biggest point gain ever. The

Temporary Blip?



Source: Bloomberg, NYT

Moscow Stocks Recover As Banks Avert a Run

By Michael Wines
New York Times Service

MOSCOW — Russia's financial markets rallied Friday after the Kremlin and the major Western powers indicated that they were working on still further plans to end the country's economic crisis.

The monetary authority waded into the market to buy Hong Kong dollars late last week and earlier this week. But it refused to characterize those moves as an intervention — saying instead that it was merely raising local currency to finance a temporary budget deficit.

But the intervention in financial markets Friday was far more aggressive than merely buying Hong Kong dollars.

In addition to the government's purchases, speculation surfaced that local companies with ties to the government

index had dropped about 16 percent this month.

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Cambodia Museum's Bat Dilemma

By Seth Mydans
New York Times Service

PHNOM PENH — The mystical statues of ancient Angkor, with their enigmatic smiles, sit in the damp and almost empty National Museum here, enveloped in an ethereal twittering.

It is the twittering of millions of tiny bats, roosting under the leaking roofs and eaves of the museum — the most dangerous threat to the preservation of these ancient treasures, but also one of their chief benefactors.

Since the days of the Khmer Rouge 20 years ago when the museum was abandoned and the bat population exploded, its curators have sought ways to drive them out. They are trying again today, but they are meeting resistance from people who say the museum needs the bats.

There are sounds of heavy lifting in the museum's musty halls these days as men with a mechanical winch heft the last of the statues back onto their pedestals after a triumphal yearlong tour of the grandest museums of France, the United States and Japan.

They returned unharmed from their journey, said the museum's director, Khun Samen. But here at home they are in peril. Bat guano is killing them.

In flecks and black crumbs and noxious dust, it falls and flutters constantly from the false ceiling that encloses the upper reaches where the bats roost. It mixes with leaking monsoon rainwater and seeps like coffee stains through the

split and sagging wooden ceiling and down the museum's walls.

It accumulates — filled with tiny worms — ooze the elaborate carved headdresses of the statues, on their shoulders, their folded knees and the creases of their garments, where it turns to sticky and corrosive slime and eats into the sandstone and bronze.

It fills the air with an acrid, ammoniac stink that mixes here and there with the sweetness of incense and jasmine that

the museum workers place reverently before the holiest of the Buddhist and Hindu statues.

"The statues are all right as long as we sweep," Mr. Khun Samen said. "But if we stopped sweeping they would be buried."

At dawn and at noon, museum workers sweep and dust, gathering — and saving — more than nine kilograms (20 pounds) of bat guano each day.

Periodically the more agile of the workers cover their faces with cotton cloths and climb above the ceiling, where they gather another half a ton of bat guano a month, said the museum's deputy director, Oun Phalline.

Mr. Khun Samen is determined that the time has come to put an end to all this.

BRIEFLY

Kohl Is Catching Up But Not by Much Yet

BONN — Chancellor Helmut Kohl has cut the opposition Social Democrats' lead in opinion polls over the past few months, but there is no evidence of a major swing toward his Christian Democrats, pollsters said Friday.

With just over six weeks to go until Germany's general election, a monthly survey showed the conservatives gaining 1 percentage point to stand at 38 percent while the Social Democrats' standing was unchanged, at 42 percent.

The Politbarometer, conducted by the Electoral Research Group for ZDF television, showed Mr. Kohl's camp had gained a percentage point in each of the last three months, while the Social Democrats' score was static.

"The CDU has improved slightly but the SPD has stayed at the same level," said Dieter Roth of the Electoral Research Group. (Reuters)

Sweden Might Sell Liquor on Saturdays

STOCKHOLM — A 16-year ban on Saturday sales at Sweden's state-run alcohol shops could end if current Social Affairs Minister Margot Wallstrom has her way.

Despite images internationally of

"I love bats too," he said, as if anticipating a backlash. "But in the whole world there is not another museum with bats. In the Louvre and the Metropolitan, there are no bats. I think in your own house you would not want bats."

He is near an agreement with a French charitable organization to build an uncompromising new plaster ceiling and seek ways to keep out the bats, perhaps using wire mesh.

"Let them go live somewhere else," said Bernarde Porte, who heads the museum's restoration and conservation department. "Let them live at the royal palace."

But things are not that simple. The museum needs the bats. It receives no government funding in this poverty-ridden nation, and it is broke. Its employees have not been paid for two months.

And bat guano sells as fertilizer at the central market for 40 cents a kilogram. For years the museum has been earning more than \$300 a month from the guano trade, which it uses to subsidize its operations and keep its employees from starving.

"We use it to buy office supplies and cleaning supplies," Mrs. Oun Phalline said. "And part of it we give to the staff to support their living expenses."

A museum guide, Mao Vuthy, said the sale of bat guano had helped support his family for nearly 20 years.

"You can eat the bats too," he said eagerly. "They can be fried like chicken. They are good with wine or beer. I will be sorry to lose the bats."

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BRIEFLY

German Party Regrets Prague Spring's Role

BERLIN — The Party of Democratic Socialism, the successors to the Communist Party that dominated the former East Germany for 40 years, made a public apology Friday for East Berlin's role in the Soviet-led invasion of Czechoslovakia in August 1968.

A statement by the party marking the 30th anniversary of the Warsaw Pact intervention that ended the brief "Prague Spring" led by the reform communist Alexander Dubcek, said Moscow and its partners had flouted international law.

But Moscow finally lost its "greatness" to Moscow as the czars expanded their rule. (Reuters)

West African Visa Deal

COTONOU, Benin (AFP) — Tourists wishing to visit five West African countries now need only one visa to enter all five, under a recent agreement.

Benin, Burkina Faso, Ivory Coast, Niger and Togo have all decided to share the same visa requirements for a 60-day travel permit that will be available at any of the member states' embassies. The visas will cost around \$40, revenue that will be shared among the five countries.

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New York Times Service

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ECUADOR QUAKE — President Jamil Mahuad comforting a woman in Bahia de Caraquez during a visit to victims of an earthquake which struck 10 days ago.

Teens, Armed and Dangerous

Blacks and Hispanics Found More Likely to Fight

The Associated Press

ATLANTA — Black and Hispanic high school students are more likely than their white counterparts to be a threat to others by carrying weapons or fighting, while whites are more likely to hurt themselves by driving after drinking alcohol, a government study found.

The similarities among teenagers were equally stark: About one in three is involved in fights. Almost one of every five carries a weapon or drives after drinking. Almost one in 10 attempts suicide.

The findings, based on a survey of 16,262 high school students nationwide, were released Thursday by the Centers for Disease Control and Prevention.

"The lesson here is that too many youths continue to practice behaviors that put them at risk — for injury or death, now and chronic disease later," said Lorna Kann, a chief researcher for the National Center for Chronic Disease Prevention and Health Promotion.

The 1997 study looked at

behavior leading to injury and surveyed teenagers' use of alcohol, tobacco and drugs and sexual and physical activity.

Hispanics were most likely to arm themselves, with 23 percent carrying a gun, knife or club, compared with 22 percent of blacks and 17 percent of whites.

Blacks were most likely to have fought in the previous year, at 43 percent vs. 41 percent for Hispanics and 34 percent for whites.

Whites were most likely to have drunk five or more glasses of alcohol on at least one of the 30 days before the survey: 38 percent of whites said they had, compared with 35 percent of Hispanics and 16 percent of blacks.

Blacks were least likely to mix alcohol and driving. Nine percent drove after drinking, compared with 19 percent of whites and 18 percent of Hispanics.

The differences could be "a marker for socioeconomic status" and urban living, Ms. Kann said.

White teenagers were nearly twice as likely as Hispanic

teens to smoke frequently or chew tobacco, with 20 percent of whites saying they smoked frequently, compared with 11 percent of Hispanics.

Among blacks, 7 percent smoked frequently and 2 percent chewed tobacco.

Six percent of Hispanics had used cocaine in the 30 days before the survey, double the number of whites and nine times the number of blacks. Hispanics also were more likely to have used steroids or injected drugs.

Nineteen percent of whites and 15 percent of Hispanics had tried other illegal drugs such as LSD, PCP, Ecstasy, mushrooms, speed, methamphetamine or heroin.

Only 3 percent of blacks had.

Asked whether they ate the minimum five daily servings of fruits and vegetables recommended for good health, only 29 percent of whites and 28 percent of Hispanics and blacks said they did.

Teenagers at 151 schools filled out confidential questionnaires for the survey.

By Mireya Navarro
New York Times Service

MIAMI — The first time Elizabeth Gueits heard that Fidel Castro was dead, she was in school and 6 years old.

"On the radio they said Castro had died," said Ms. Gueits, 32, an insurance agent. "We started to jump up and down, but I got home and it wasn't true."

Since then, she said, she has heard similar reports about 15 times — "that he was dying, that he was in the hospital, that he was in a coma."

"Until I see him in a coffin," Ms. Gueits said, "I won't believe it."

In Miami, the adopted homeland of many Cubans who left their country because of Mr. Castro, his death or near death has been grossly exaggerated periodically for the nearly 40 years that he has been in power.

Every so often rumor about his impending demise or actual expiration spreads like wildfire, only to be debunked by the appearance of a fit-looking Mr. Castro delivering a six-hour speech.

While efforts try to will him dead, some have even plotted to kill him, Mr. Castro turned 72 Thursday.

The latest collective disappointment stemmed from an article on July 19 in the Spanish-language *El Nuevo Herald*, a report that was reprinted by its sister paper, The Miami Herald, and picked up by other news organizations.

In the front-page article, a woman identified as a defying Cuban surgeon, Dr. Elizabeth Trujillo Izquierdo, said that Mr. Castro had been treated last October for hypotensive encephalopathy, a potentially fatal illness affecting the brain.

The woman, it turned out, had really been a secretary in a Cuban paper factory who suffered from "personal problems," her former husband later said. Roberto Fabris, *El Nuevo Herald's* managing editor, said the woman had duped his newspaper, which told readers she had produced college do-

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Facing The Truth

Christians and Jews of America must reach for the courage of Jesus and Moses in order to diffuse the spell of mutual distrust that continues to embroil all of the Children of Abraham.

Their frequently misplaced righteousness and one-sided sense of moral culpability perpetuate the painful plight of every innocent victim in the Holy Land.

America's Christian and Jewish leaders should set aside their concern for political correctness and relinquish the evasive tactics of the past. Unless they take hold of the fast-deteriorating situation in the Middle-East, Israel's self-inflicted isolation and escalating abrasiveness will lead to further suffering and vindictive bloodshed in what was once the land of milk and honey.

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South Korea Fetes Its 50th

During Tough Times, Hopes for a Second 'Miracle'

By Don Kirk
International Herald Tribune

SEOUL — Suddenly an often-criticized leader from the desperate era of the Korean War is emerging as a respected figure among South Koreans looking for the origins of the "Korean miracle" during a period of economic turmoil.

The legacy of Syngman Rhee — Lee Syng Man to Koreans — assumes fresh significance as Koreans celebrate the 50th anniversary Saturday of the day Mr. Rhee became the first president of the newly formed Republic of Korea.

"He was the architect of modern Korea," said Lew Young Ick, director of the Institute for Modern Korean Studies at Yonsei University and author of a book on Mr. Rhee. "He was the best prepared man to lead Korea through the war and into the new era of peace."

The new respect accorded Mr. Rhee, whose rule became increasingly autocratic until he was forced into exile by student-led riots in 1960, is just one aspect of an outpouring of patriotism surrounding the founding of the Republic of Korea, the formal name for South Korea.

It's as if the celebrating might in some way ease the pain of what Koreans call "the IMF crisis," the enormous shortfall of funds that forced Seoul to ask the International Monetary Fund in December for a rescue package of nearly \$60 billion in loans.

"In the last half century, Koreans have recovered their pride," said Kim Ki Hwan, ambassador-at-large and a key figure in arranging the IMF negotiations.

For the past two weeks, South Korean flags have been sprouting from taxicabs, apartment buildings, shops and factories as citizens remind one another of just how far the country has advanced from the years of abject poverty and suffering brought on by the Korean War.

"In 1948 we established a new government with a bright future," said Choi Kyu Hak, a director at the

coup, anti-government demonstrations and labor unrest as well as the emergence of democratic forms of government.

"We are having difficulties and suffering from unexpected problems like the floods," said Kim Young Jin, referring to torrential rains that have taken the lives of nearly 200 Koreans, devastated 46,000 hectares (114,000 acres) of farmland and left thousands homeless. "I only hope the anniversary will not be undermined because of all these problems."

The shopkeeper has flown a pair of Korean flags above the door of his store since Aug. 1.

"Every year I fly the flags the day before," he said, "but this year is different, so I put them up earlier."

"This anniversary is a very significant turning point," said Choi Chong Ko, who teaches legal history at Seoul National University. "Now we can remember Rhee Syngman as a very great man in our history, especially in politics and human relations. We can look back on what he did and in the long run have an optimistic view."

The show of nationalism this year transcends the usual patriotism displayed on Aug. 15, also the official national day marking the anniversary of Japan's World War II surrender and the end of 35 years of Japanese rule over the Korean Peninsula. Newspapers have been serializing histories of South Korea's leap from poverty and suffering to relative prosperity, and television documentaries have been dramatizing the success of a country that appeared by the end of the war in July 1953 to be incapable of surviving on its own.

The government is whipping up the spirit with a commercial featuring the champion golfer Pak Se Ri taking off her shoes before stepping in the water and chipping the ball from the rough, all to background voices singing a song once adopted by anti-government radicals. "Although we have a long way to go," run the lyrics in rough translation, "in the end we can triumph."

On the streets of the capital, Koreans mingle pride with concern as they look back on a turbulent history marked not only by war but also by military dictatorship.

Missing from the list of those



COMMEMORATING MARY — Nuns and choirgirls preparing for a sunrise Mass on Friday for the 200th anniversary of an apparition of the Virgin Mary in La Vang, Vietnam. The local priest estimated that 150,000 people would attend the three-day event, which ends Saturday.

AP Wirephoto

Seoul Frees 103 Prisoners Who Signed Oath

The Associated Press

SEOUL — President Kim Dae Jung approved a sweeping amnesty Friday that freed 103 political prisoners who had signed an oath to obey South Korean laws, including one that makes it a crime to espouse communism.

The amnesty, which affects more than 7,000 people in and out of prison, will take effect Saturday, the 53d anniversary of Korea's independence from Japanese colonial rule in 1945.

South Korea has marked past anniversaries with similar pardons.

Missing from the list of those

granted amnesty were an estimated 400 political prisoners, including 17 who have served 30 years or more behind bars, often in solitary confinement. They refused to sign the oath.

The 103 political prisoners who did vow to obey the law were among 2,174 inmates to be freed. Thirteen more inmates will have their prison terms reduced, and 4,820 people will have their civil rights restored.

The amnesty is aimed at achieving a grand national reconciliation in the midst of a national economic crisis, Justice Minister Park Sang Chun said in a nationally

televised news conference. But human rights groups expressed disappointment, saying that many political prisoners chose to remain in jail rather than swear to obey draconian security laws as a prerequisite for release.

"The oath requires prisoners to respect the national security law — a law which is used frequently to jail people for exercising their freedom of expression," London-based Amnesty International said.

South Korea's largest human rights group, Minkabyup, also denounced the oath, saying that many political prisoners regard it as humiliati-

"How can they swear an oath to obey the very law against which they have fought?" asked Nam Kyu Sun, a Minkabyup spokeswoman.

South Korea's national security law bans any activity that might benefit its enemy, communist North Korea.

The law has often been used by past military governments to suppress political dissent. It is so broadly interpreted that even possession of Marxist literature is a crime.

The 17 long-serving political prisoners were convicted of being North Korean spies in the 1950s and 60s.

Levee Around China's Major Oil Field Bursts

The Associated Press

BEIJING — A levee protecting China's largest oil field gave way Friday, prompting thousands of people to evacuate as floods spread to the country's northeast, the state-run Xinhua news agency reported.

Heilongjiang, an industrial and agricultural province that borders Russia, mobilized a million civilians and soldiers for a "round-the-clock fight" against the flooded Nen and Songhua rivers, Xinhua said.

More than 200,000 people were fighting flooding in Daqing, where the oil field is located. About 20,000 people were evacuated and no casualties were reported from the breach in

the dike, which expanded to 1,650 feet (500 meters) by midday, Xinhua said.

The floods forced the closure of 155 of Daqing's nearly 20,000 oil wells, and workers were building a barrier near the oil field to protect it, the report said.

Rescue workers also were evacuating more than 20,000 people stranded after floods washed out railroad tracks in Heilongjiang, state media said.

More than 2,000 people have been killed and millions have been left homeless in the worst floods in 44 years. In Human Province, one of the worst-hit regions, 625 people have been killed, Xinhua said.

A flood near Aksu, in the northwestern region of Xinjiang, killed four people and left dozens missing Thursday, inundating an area inhabited by about 100,000 people, the official Workers Daily reported.

Floods and landslides also forced the closure of a major rail line in the northwest, between Xinjiang's capital, Urumqi, and the city of Lanzhou, the report said.

With a rain belt stretching across central China, floods were predicted to continue and to worsen in the northeast and along the Huang River, which was expected to become dangerously swollen in the next few weeks, the China Daily reported.

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Wellington Government Teeters in the Balance

WELLINGTON — The New Zealand government's future was in doubt Friday after Prime Minister Jenny Shipley dismissed Winston Peters, the treasurer and deputy prime minister whose party is a key member of her coalition.

Ms. Shipley, who leads the majority National Party in the center-right government, said she was prepared to continue in a National Party minority government if differences with Mr. Peters' New Zealand First party could not be resolved.

Ms. Shipley's National Party has 44 seats in the 120-seat Parliament but can rely on another 10 independent and rightist legislators to back her on key issues of confidence and fiscal supply.

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(AP)

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(AP)

Taliban Tries to Talk Rivals Into Surrender

KABUL — Taliban fighters said Friday that they wanted to use persuasion, not force, to take their opposition's few remaining strongholds in Afghanistan.

"We don't want more people to die," said Mullah Abdul Satar, the Taliban general commander at the front line just north of Kabul, the capital. "We are ready to fight,

but we want to prevent human casualties."

Mr. Satar said he was in touch with several opposition commanders, trying to persuade them to open the key Salang Highway leading north from Kabul. Mr. Satar said the opposition has no more reason to resist now "that we have 90 percent of the territory of Afghanistan."

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BUENOS AIRES — President Alberto Fujimori of Peru said Friday that he hoped a peace accord could be signed within weeks, ending a half-century border conflict that sparked three shooting wars.

On a whirlwind round of South American diplomacy, Mr. Fujimori sounded upbeat about defusing this week's flare-up of border tensions that erupted when Peru said some 300 Ecuadorian troops had entered its territory in a "clear provocation."

Peru subsequently refused to continue talks to end the border standoff until Ecuador withdrew troops from a disputed zone. Ecuador maintained that its troops were out in Peruvian territory and had refused to remove them.

With President Carlos Saul Menem of Argentina at his side, Mr. Fujimori said in Buenos Aires that it was "realistic to think that a final accord could be signed in September."

(AP)

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State-of-Art Embassy in Jordan Trades Pulse of City for Peace of Mind

By Lee Hockstader
Washington Post Service

AMMAN, Jordan — When it opened in 1992, the U.S. Embassy in Jordan was immediately dubbed "Fort Apache" by some of the diplomats who worked there.

Fort Knox is more like it.

A security-mad paradise, the state-of-the-art embassy meets every safety standard U.S. experts could dream up: solid steel doors, some thick enough to withstand a half-hour assault by machine guns and battering rams, windows and walls designed to repel artillery rounds and bunkered heavens stocked with enough provisions and communications equipment to keep trapped dip-

lomats alive and in touch for more than three days.

And unlike the U.S. embassies in Kenya and Tanzania, where bombs last Friday killed 257 people, the embassy in Amman sits atop a hill, safely remote from the sweltering city below.

"There's a lot to be said for a facility like this," an American diplomat said. "When you look at TV and what happened in Kenya — no one ever gets anything like that close to this embassy."

The trade-off is that the facility here is not universally acclaimed as a user-friendly place, especially for Jordanians. Spread out over about 5 hectares (12 acres), and set far back from the surrounding roads, the \$50 million embassy

has the grandeur of a palace — and can be nearly as intimidating.

In a city of 1 million people, the embassy is within walking distance of practically no one. Some locals, who watched warily as the embassy took shape on a former sheep pasture during the Gulf War, suspected that a huge round warehouse in the back of the complex was a missile silo.

For Americans who work there, the embassy is a mixed bag.

True, it is safer, and it has improved efficiency by gathering together seven or eight facilities, agencies and departments that had been spread out all over the city before 1992.

"But if you're supposed to be out and about," said one American diplomat

who knows Amman well, "then it's a bit isolated."

Before the embassy opened July 4, 1992, most U.S. diplomats worked in a cramped office building in the center of town, across the street from the Intercontinental Hotel. A small car bomb had exploded in the hotel's parking lot, so the old embassy's facade was heavily sandbagged.

But Jordan, a moderate Arab country and a major recipient of U.S. assistance, is not considered an especially risky posting for Americans, and the old embassy felt the city's pulse.

Applicants for visas to the United States would drop by on their lunch breaks to pick up a form. Diplomats wandered out at lunchtime to the grilled-meat sandwich stands down on the corner. A block away, at a low-security building that housed the American Cultural Center and the U.S. Information Service, an elderly security man seated behind a desk nodded lazily at visitors coming and go-

ing to the library, English lessons, lectures, movies and conferences.

"It was easy access, and it was very nice," said Khalwa Abu-Qura, who worked at the U.S. Information Service in the late 1970s and early 1980s. "Every six months they'd send somebody from Washington, a security officer, to check the fire escapes and change the doors."

"That's all changed now," she added. "Now it's, my God, even though they know me and I have business there, I have to go through so many doors and gates. It's intimidating."

Construction on the new embassy to Amman began in 1988, five years after the devastating bombing of the U.S. Embassy in Beirut and shortly after a commission headed by a retired admiral, Bobby Inman, urged that security at U.S. facilities around the world be radically reinforced.

Admiral Inman's detailed recommendations were incorporated into the

design and placement of the Amman embassy. But when construction began, some diplomats were concerned that it was too far from the center of town. The only other major buildings within hundreds of yards were the British Embassy and a private club. Sheep wandered through the construction site.

In the new embassy, everything was consolidated. The complex appeared so vast, to fact, that it seemed to some like overkill. At the time just 90 Americans and 150 Jordanians worked full time at the embassy.

But today there are more than 125 full-time Americans, plus many others who rotate through on short assignments. About 230 Jordanians work there.

What's more, the opening of the embassy has heralded a local real estate boom. Roads have been improved and luxury villas built in the neighborhood — along with new headquarters for the Jordanian ministries of transportation, communications and public works.

Mourners Flock to Kenya Bomb Site

The Associated Press

NAIROBI — In a show of unity and grief, Christian and Muslim members of the Kenyan Parliament laid a huge wreath of red and white roses Friday at the site of the U.S. Embassy bombing.

The legislators sang "We Shall Overcome" and prayed for unity and tolerance. Nearby, an FBI evidence response team labored over debris with rakes, continuing their search for evidence.

With rescue operations wrapped up

and the death toll apparently fixed at 257, the focus Friday was on cleanup work and the all-out push to team who perpetrated the nearly simultaneous bombings in Nairobi and in Dar es Salaam, Tanzania, on Aug. 7.

"It will take at least four more weeks to complete examination of both bomb sites and witness interviews, and from that we will develop leads," Thomas Pickard, the assistant FBI director, said in Washington.

On Thursday, Sheila Horan, the FBI special agent in charge of the investigation, said investigators had gathered "very critical and important information" on the bombers' identities.

The FBI has 215 agents, lab examiners, evidence technicians, computer specialists, photographers and translators in Kenya and Tanzania. Mr. Pickard said in Washington, and a British forensic team was expected to join the 22 FBI lab examiners to Kenya and Tanzania shortly.

Mr. Pickard said agents on the scene had 700 interviews to conduct in Nairobi and 200 in Dar es Salaam.

■ Albright Going to Africa

Secretary of State Madeleine Albright said Friday she would travel to Kenya and Tanzania over the weekend to visit the sites of two massive embassy bombings last week that killed more than 250 people, Reuters reported from Washington.

Officials said Mrs. Albright was expected to leave Washington on Sunday and visit Tanzania first, Kenya second.



Laurent Kabilo, Congo leader, leaving a resort in Zimbabwe a week ago.

CONGO: Thousands Are Fleeing Capital

Continued from Page 1

details about the action, but Western witnesses saw airplanes taking off from Goma on Friday, and a foreign military expert and a local aviation specialist here both confirmed that there was an abundance of mysterious flights from the east.

What the rebels have accomplished so far has been done with surprisingly scant means. According to Angolan soldiers who visited the strategic western power city of Boma by the border with Angola, rebels were holding that town with as few as 100 men.

Similarly, the nearby provincial capital of Matadi, a major western city, "fell" to the rebels Thursday after a relatively minor clash.

By all accounts, government soldiers in the area far outnumbered the rebels, but panicked and fled their positions, looting shops and vehicles in their wake.

On Friday, to general disbelief, the government announced that much like the Inga dam, it still controlled Matadi.

"Kabilo made the mistake of counting on numbers rather than quality when he put together his army," said one Congolese colonel who gave the regime little chance of defeating the rebels.

"They discarded the notion of elite corps and specialization, destroying everything they found without distinction. The problem now is that our neighbors have serious armies with experienced

IRAQ: U.S. Pressured UN

Continued from Page 1

give "immediate, unconditional and unrestricted" cooperation to the inspection teams.

That last resolution, at U.S. insistence, promised "the severest consequences for Iraq" for further defiance.

Last week, as Mrs. Albright reportedly sought to rein in Mr. Butler, the administration was retreating from the vows it made six months ago to strike immediately and with significant military force if Iraq failed to honor a Feb. 23 agreement that resolved the last such crisis over inspections.

At that time, administration spokesmen described a "snap back" policy of automatic military retaliation if President Saddam Hussein violated his agreement with Secretary-General Kofi Annan.

Now the administration argues, as a White House spokesman, P.J. Crowley, said this week, that Iraq is proposing "a cat-and-mouse game" and "we're not going to play." He said the United States would continue its "encouragement" of Iraq's compliance with its obligations and would not allow economic sanctions to be lifted until it did so.

Mrs. Albright, in a one-sentence statement issued through a spokesman, said Wednesday night: "U.S. policy has been to fully support Unscom in its inspections, and I have never told Ambassador Butler how to do his job."

She and those speaking for her declined to answer further questions about her Aug. 4 "private discussions" with Mr. Butler and would not address specifically whether she had advised him to cancel the planned raids.

Mr. Butler, reached by telephone, said any suggestion that he received orders from Mrs. Albright would be "a very considerable distortion of what took place."

"No member of the council, including the United States, has purported to give me instructions," he added. "They all recognize that their job is policy, my job is operations."

Asked whether Mrs. Albright urged him or advised him not to go forward, Mr. Butler said any answer "would be a very slippery slope" to which "I'd have to tell you what the Russian ambassador said, what the French ambassador said. Forgive me, but I won't get into that."

Beginning in June, according to knowledgeable officials, the UN inspectors developed secret plans for surprise raids at two sites where they believed they would find evidence of forbidden chemical and biological weapons and the ballistic missiles capable of deploying them. The officials declined to describe the sites further, noting that they are still in operation.

Mr. Butler dispatched senior lieutenants to London and Washington in late June to provide highly classified briefings on the intended inspection "targets," the sources said.

Formally, Mr. Butler reports equally to all members of the Security Council and does not give them advance operational plans. But one official said Mr. Butler understands "it's suicide to go forward with an inspection like this without informing his principal sponsors, the United States and Britain."

The two governments, according to knowledgeable officials, acknowledged to Mr. Butler's deputies that the UN commission had the right to make its own decisions. But they worked in concert to the weeks that followed to dissuade Mr. Butler from going forward with the inspection plan.

After a meeting with Ambassador Peter Burleigh, the second-ranking U.S. delegate to the UN, Mr. Butler was left with the plain understanding that Washington did not support his plan.

Mr. Butler canceled the raids in July but laid contingency plans to reschedule them this month after meetings Aug. 3-4 in Baghdad with Deputy Prime Minister Tariq Aziz. Mr. Aziz announced late on the first day that Iraq would answer no further questions about its forbidden weapons, asserting that all the answers had long since been made.

On Aug. 4, Mr. Butler notified the U.S. government that he had authorized a team to conduct the raids Aug. 6. That same day, he got word that Mrs. Albright wished to speak with him and traveled to the U.S. Embassy in Bahrain for a secure telephone discussion. Mrs. Albright argued, according to knowledgeable accounts, that it would be a big mistake to proceed because the political stage had not been set in the Security Council.

Mr. Butler agreed to a three-day delay, to hopes that he could build broader support during informal consultations with the Security Council. But after briefings to the council governments in New York, he got another high-level American call urging him to have the inspection team stand down. The same day, he was ordered the inspectors home.

French Conservatives in New Turmoil

By Craig R. Whitney
New York Times Service

PARIS — France's conservatives, defeated last year by Prime Minister Lionel Jospin's Socialists, are reeling again after one of their leaders cut his party membership card in two publicly Friday to protest the party's decision to take in a regional assembly president who accepted support from the extreme right to keep his post.

Gilles de Robien, former parliamentary floor leader for one of the conservative umbrella groups that supported Mr. Jospin's predecessor, Alain Madelin, snipped his plastic Liberal Democracy Party card during a France 3 television broadcast. "I have nothing more to do with this family, which has no more republican ideals," he said.

The party, led by former Finance Minister Alain Madelin, admitted Jacques Blanc, president of the assembly for the Languedoc-Roussillon region, on Thursday.

Mr. Blanc and two other conservative regional assembly leaders were expelled from the mainstream conservative umbrella group, the Union for French Democracy, in March after they accepted support from the far-

right National Front to keep their posts despite conservative losses to the Socialists and other leftist parties in regional elections.

Mr. de Robien had once been parliamentary floor leader for the Union for French Democracy, which splintered after the regional elections because Mr. Madelin and his party opposed the expulsions.

Concerned about the turmoil in conservative ranks, President Jacques Chirac, the only conservative leader still holding national office, gave his blessing in May to the foundation of a new umbrella organization called the Alliance. But the Alliance appeared increasingly shaky after the latest squabble, with some prominent members saying they no longer considered Mr. Madelin's group a part of it.

Many mainstream conservative leaders maintain that they can never again win a majority in national elections unless they either accept tacit support from the National Front or woo the people who vote for it by supporting stronger policies to control immigration and crime.

The National Front, led by Jean-Marie Le Pen, has a platform calling for the return to their countries of origin of the millions of immigrants who have come to France since the end of colonialism.

The National Front blames unemployed youths in ghettoized French suburbs for much of the country's domestic crime problem, and says that "native French" people should have preference for jobs and welfare benefits.

Mr. Le Pen is also against moves that surrender French sovereignty to further European integration, pledging to restore border controls with France's EU neighbors if he comes to power and denouncing the common European currency that is to start next year.

Prominent supporters of Mr. Chirac share at least a few of these ideas, making the issue of how to deal with the National Front one of the conservatives' most difficult dilemmas. Mr. Blanc said Friday that the controversy over his admission was "a lot of blather over nothing."

Just as difficult, some conservative legislators say, is how to build an effective opposition when their leader, Mr. Chirac, is forced to work with the Socialist government by the terms of the 1983 French Constitution — designed for Mr. Chirac's mentor, the late Charles de Gaulle, who never found himself in that awkward position.

CLINTON: Testing the Mood for Telling All or Maybe Just a Little

Continued from Page 1

cession from the president might reduce the threat of impeachment hearings based on a report to Congress from Mr. Starr.

Even if the strategy of acknowledging some sexual activities with Ms. Lewinsky succeeds in inoculating Mr. Clinton from perjury problems, he may face other legal shoals. Mr. Starr's grand jury has also been investigating whether Mr. Clinton might have obstructed justice if he discussed with Ms. Lewinsky ways that she could conceal a sexual relationship and avoid having to turn over gifts that he had presented to her.

After Mr. Clinton testifies on Monday, what else he should say is a subject of considerable debate. Some aides have argued that he could blunt the political repercussions by offering the public at least a brief explanation of his relationship with Ms. Lewinsky.

Other Clinton advisers, including some outside the White House, have argued that he should say as little as possible about his testimony — that he should not do much more than smile and announce that he is leaving on vacation.

An option that is increasingly being considered would be for the president to testify that he was telling the truth last January when he followed a precise definition of sexual relations that the presiding judge had approved in the Jones sexual misconduct lawsuit.

Under that definition, some advisers

believe, Mr. Clinton could plausibly assert that his contacts with Ms. Lewinsky did not constitute sexual "relations."

The issue of how to deal with the testimony Mr. Clinton gave in January is such a critical matter that Mr. Kendall reviewed a videotape of the testimony. He had already seen a transcript.

In that deposition, when the president was asked whether he had an affair with Ms. Lewinsky, his response seemed to be straightforward: "I have never had sexual relations with Monica Lewinsky. I've never had an affair with her."

But Mr. Clinton was responding to a definition of "sexual relations" that was prepared by Ms. Jones's lawyers and then narrowed by U.S. District Judge Susan Webber Wright.

Specifically, Ms. Jones's lawyers asked Judge Wright to allow them to use a three-part definition of sexual relations when it came up in the case:

"(i) Contact with the genitalia, anus, groin, breast, inner thigh, or buttocks of any person with an intent to arouse or gratify the sexual desire of any person;

"(ii) Contact between any part of the person's body or an object and the genitalia or anus of another person; or

"(iii) Contact between the genitalia or anus of the person and any part of another person's body. 'Contact' means intentional touching, either directly or



Monica Lewinsky, focus of a crisis.

Continued from Page 1

the investigation. But as the head of the Tokyo prosecutor's office, he essentially directed it. His transfer brings the inquiry substantially to a close.

These days, he works in a city that is bypassed by the bullet train, where only six flights a day land at the airport. Back in Tokyo, the lights in the special prosecutors' offices go out early. There has not been a prominent arrest in months.

Although Mr. Kumazaki's investigation has apparently fizzled, there is some possibility that there will be other efforts to crack down on bankers and bureaucrats, as a result of the government's plans to clean up the banking system.

Those plans, which could be carried out in the autumn if approved by legislators, may lead to disclosures of unsound or dishonest banking practices and bureaucratic complicity to those practices.

In any case, Mr. Kumazaki

Herald Tribune

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Russia's Ailing Economy

The ailing Russian economy seems to have nine lives, but they are rapidly running out. The latest crisis, less than a month after the International Monetary Fund provided a new bailout, is bank-based.

Russian banks owe lots of dollars and are having trouble paying them back.

With some banks needing to repay loans this coming week, and with foreign lenders demanding additional collateral to roll over the loans, the banks appear to have been buying dollars from the Russian central bank as fast as they could early this past week. The central bank clumsily tried to impose new restrictions on such transactions, only to provoke a new crisis of confidence.

The result Thursday was a virtual breakdown of Russia's financial markets, particularly for most government bonds. That makes it impossible to determine how much banks' bond portfolios are worth, a fact that makes lenders nervous. But to repay their loans, the banks need to sell their bonds.

All of this is happening when it is too soon to know whether Russia's latest reform efforts are working. The government says tax receipts are up sharply, which is encouraging but not conclusive.

Foreign currency reserves have increased, but that may be meaningless if the bank crisis intensifies.

George Soros, the international

money manager, weighed in Thursday with an innovative but unrealistic proposal for Russia to devalue the ruble by 15 to 25 percent and then adopt a currency board. Such a scheme would require Russia to set aside enough foreign currency to redeem all rubles in circulation.

The depressed price of oil, Russia's principal export, may have left the ruble overvalued, and devaluation may yet be necessary. But a currency board seems impractical. Mr. Soros estimates conservatively that Western nations would have to put up \$15 billion or so, on top of the money already committed by the IMF. More importantly, a currency board would effectively hand over Russia's monetary policy to the foreign central bank administering the currency to which the ruble is tied.

Selling that idea to the Communist-dominated Russian Parliament would probably be impossible.

An immediate answer to the current crisis must involve a willingness by foreign banks to be flexible regarding their loans to Russian banks that are suffering from a liquidity squeeze but are otherwise solvent. The longer-term solution, though, is unchanged. The Russians must proceed with economic reform, and show the world they can do it successfully. Parliament should stop stalling and pass needed tax reform bills immediately.

—THE NEW YORK TIMES.

Moderates on the Hill

With Congress in recess, Washington is filled with threats of another government shutdown over the budget in October. Underneath the surface, however, a fragile majority of moderate Democrats and Republicans is emerging in both the Senate and House that could set a less confrontational tone when lawmakers return in September. On budget issues, moderate Republicans are warning sensibly against big new tax cuts and spending reductions in essential areas. It would be healthy for Republican leaders to pay attention.

Passage of the Shays-Meehan campaign finance legislation owed much to independent-minded Republicans in the House. In that vote, more than 60 Republicans ignored Newt Gingrich, the speaker, and voted with the Democrats. An equally large bloc of Republican moderates voted with House Democrats recently to save the National Endowment for the Arts and to defeat a gay-bashing amendment pushed by social and religious conservatives. Moderates in the Senate, especially veterans of past budget battles like Pete Domenici and William Roth, refuse to go along with the big tax cuts advocated by the budget-cutters in the House.

Fights between Republican moder-

ates and conservatives have so tied up the budget this year that one of the 13 appropriations bills financing the government after the end of September has been passed by both houses of Congress and sent to President Bill Clinton.

Congressional Republicans could not even agree on an overall budget resolution. Meanwhile, moderates in the Senate support full funding for the International Monetary Fund to help it deal with the Asian economic collapse. House conservatives seem more in the thrall of the isolationism of Dick Armey, who recently commented: "I've been to Europe once. I don't have to go again."

The White House may be in crisis, but it can count on the country's rallying against another budget siege by Republicans, who shut down the government in 1995. Recently, when some House Republicans were saying that this time they could reap political gains from a shutdown, it was Mr. Gingrich's turn to cringe. The title of his recent book, after all, is "Lessons Learned the Hard Way." The paradox now is that while the conservatives brought Mr. Gingrich to power, the moderates are the ones who learned the lessons.

—THE NEW YORK TIMES.

Census Football

The recent party-line vote in the House on funding for the year 2000 U.S. census points in an ugly direction. The question is whether to use sampling and other statistical techniques to adjust the national portrait for the undercount that has increasingly disfigured it in recent decades. Lower-income and minority groups have been especially affected — underrepresented in the final figures.

The administration favors the use of sampling to correct the figures. The bulk of the statistical profession has endorsed it as well as the best way to get the most accurate count. Congressional Republicans, with a few exceptions, are nonetheless opposed and voted to provide only half the money needed for the census in the fiscal year ahead. The other half would await negotiations on the sampling issue next year.

The administration cannot give up that leverage. The opponents of sampling claim not to want the census to be a political document, but it is they who are pushing it in that direction.

—THE WASHINGTON POST.

Other Comment

Iraqi Nuclear Capability?

The head of the International Atomic Energy Agency in Vienna warns that Iraq's decision to stop cooperating with UN arms inspectors could mean that it is again preparing to try to build nuclear weapons.

That is an ominous turnaround from the agency's earlier finding that Iraq appeared to have given up its clandestine nuclear program. If Iraq effectively defies the inspection process, the world will have to worry not just that Saddam Hussein's rogue government will soon acquire chemical and biological weapons but quite possibly a nuclear capability as well.

—Los Angeles Times.

Herald Tribune

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Threats Without Teeth: America's Soft Power Policy

By Jim Hoagland

WASHINGTON — As President Bill Clinton moves into a politically decisive week at home, his hopes that soft power would tame the post-Cold War world are also under strong challenge around the globe.

Foreign policy has played an important if unsung role in sustaining the high popularity ratings that have been vital to President Clinton as he battles Kenneth Starr's investigation of the Lewinsky allegations.

The Clinton presidency has been blessed with a relatively peaceful international environment. Mr. Clinton has infrequently used and even threatened to use force in protecting U.S. interests abroad, and Americans like him for that.

Mail from readers underscores that connection. A column critical of Mr. Clinton invariably brings letters pointing out that he has kept Americans out of wars abroad and deserves to be given almost anything.

And the president, his aides and his foreign allies have often emphasized Mr. Clinton's skills in using "diplomacy backed by force" to settle international conflict.

That phrase has echoed through the administration's descriptions of how it has handled problems as diverse as North Korea's effort to develop a nu-

clear arsenal, the dismantling of Haiti's junta, China's missile threats against Taiwan and Iraq's hiding of biological and chemical weapons. Clinton spokesmen have claimed this particular form of soft power as a trademark of this presidency.

But the terror bombings of U.S. embassies in Kenya and Tanzania, Saddam Hussein's breaking off UN arms inspections once again and the bloody pursuit by Slobodan Milosevic of continued Serbian rule over Kosovo have demonstrated in recent weeks that other, brutal forms of power still count in world politics and will not be deterred by threats alone.

Mr. Clinton deserves praise, and popularity, for avoiding fighting where it was not necessary and minimizing violence where it was.

His Vietnam-era wariness of the military has in some cases paid dividends.

But his administration can be faulted for making foreign policy look too easy by vaunting diplomacy backed by the threat of force so relentlessly.

The American public has been left with the impression that the Iraqis, or the Serbs or the other troublemakers of the moment, are almost certain to back down

when the threat of overwhelming American power is delivered.

Examining the statements of UN Secretary-General Kofi Annan in February after he talked Saddam into resuming (the now suspended) arms inspections, and Mr. Clinton's welcome of that agreement, and the logic behind that impression emerges.

Two enormous problems result from such high-visibility reliance on the threat of force as the first line of diplomacy:

It underestimates the force of the irritation in international politics. Saddam for one has shown that he cares nothing about the survival of his country if it is not directly linked to his survival as ruler. An Iraq that does not live up to his vision deserves to perish.

Mr. Milosevic is more calculating. But his calculation of Kosovo's importance to Serbia is different from that of any outsider's. He would absorb no doubt more punishment than this American president would deem logical or bearable and still fight on for Kosovo.

The Iraqi and Yugoslav dictators also share the second, increasingly apparent shortcoming of making threatening diplomacy the biggest arrow in the quiver: Mr. Clinton's threats have become less credible as he has become more distract and embattled at home.

Saddam's decision to give Mr. Annan a temporary diplomatic victory in February was a tactical move. This summer the Iraqi decided that he did not in fact risk American retaliation for breaking off UN inspections, and the U.S. administration has publicly and ill-advisedly confirmed that.

Saddam now confronts diplomacy backed by renounced threats of force. He can resume stockpiling biological and chemical weapons unimpeded.

The repeated warnings that the North Atlantic Treaty Organization is going to get serious militarily in Kosovo any day now have had the same effect.

Mr. Milosevic is able to calculate the bloodshed he inflicts, keeping it below the high threshold beyond which U.S. threat might turn to actual force.

The timing is inconvenient for Mr. Clinton as he faces the Lewinsky dilemma. But these developments send a clear message: Leadership in foreign affairs is not easy. The American people cannot assume that threats backed up by hope work for very long. And they cannot let themselves be lulled into thinking that threats will relieve them of the obligation of protecting global stability with sacrifice when their interests are threatened.

—The Washington Post.

Large-Scale Surgery Is Needed to Correct Japan's Ills

By Roger Buckley and William Horsley

TOKYO — As the yen falls and the new cabinet of Prime Minister Keizo Obuchi has an open-ended financial crisis, Japan has reached the end of an era. The half-century of reconstruction and economic growth that followed its defeat, surrender and occupation in August 1945 has turned to demoralization and national disappointment.

The failure of successive Japanese governments to tackle the disastrous legacy of hyperspeculation in the "bubble era" of the 1980s has pushed Japan into recession. The malaise afflicting the world's second-largest economy is sending shock waves into an already ailing Asia-Pacific region. The impact is also being felt in the West.

U.S. exports to Asia are slowing sharply and there are mounting concerns that the surge of imports from Asia, made supercompetitive by devaluations in the region, will soon start to cause serious job losses for Americans in the manufacturing sector.

In Europe, growth in 1998 for the 15 states of the European Union has been revised downward because of Asia's troubles. Worse is to come.

There is a real risk that Japan and other East Asian nations will cut their investment in

Europe. The scrapping of Europe's largest-ever "inward" investment — by South Korea's LG group for a semiconductor plant in South Wales — is blamed on a lack of cash. The collapse of Siemens' plan for a similar plant in northeastern England is attributed to "societally low" prices among rival Pacific Rim producers.

The official Japanese forecast of a "prolonged slump" echoes the World Bank's worries about a "very long-lasting depression" for East Asia. Fragile share and currency markets have dropped alarmingly in recent days. Financial analysts around the world are concerned at the rising threat of further competitive devaluations and beggar-my-neighbor trade practices.

After less than a month in office, the Obuchi government risks being swept aside by a tide of pessimism. The public's confidence in Japan's political leadership has evaporated.

How did Japan get into such a mess? The tightly knit institutions that created the Japanese miracle in the boom years — the elite bureaucracy, big business and the conservative politicians — are now part of the problem. This iron triangle of decision-makers is still protecting its own vested interests, thus obstructing urgently needed solutions.

Their failure to reform is directly responsible for Japan's vicious circle of deflation and falling asset values, which now threaten global prosperity.

A frank acknowledgment of the errors of the past is important because it can help produce correct solutions.

The "first age" of postwar Japan saw a bitter conflict between communism, backed by trade union power, and bureaucracy, steeped in statist national goals that were primarily economic.

The bureaucrats won, to the policy decisions of the U.S. occupation authorities who wanted Japan to be a stable and wealthy ally in the ideologically divided Asia of the Cold War.

Central to the bureaucrats' vision of a new Japan was the control and mobilization of the Recruit scandal, in which shares were traded for favors.

Even Japan's once-respected bureaucrats were pilloried for their greed, as it emerged that officials had been wined and dined by the very bankers they were supposed to have been supervising. Financial houses such as Yamaichi Securities, finally failed because of their own ineptitude, not because of strict regulation.

The "fourth age" for Japan has begun with a jolt. The full extent of commercial banks' bad debts is still unknown. Some critics say it may be as much as \$1 trillion. The habits of paternalism and secrecy persist. They make the newly created financial watchdogs reluctant to reveal the whole truth for fear of setting off a banking meltdown.

Plans for massive state intervention, through a bridge bank, are intended to contain the damage. But they also represent a fresh temptation to prop up banks and companies that deserve to fold. Large-scale surgery is vital to remove the cancer at the heart of Japan's economic system, and to correct the arrogance of power.

Real transparency and tough reforms would, of course, bring more hardship, record job losses and a new spate of bankruptcies in the short term. But if Japan fails to seize this chance to end its entrenched system of patronage and cronyism, then the fourth age will be its undoing.

Mr. Buckley teaches history at Tokyo's International Christian University and Mr. Horsley is the BBC's European analyst. They contributed this comment to the International Herald Tribune.

What the U.S. Should and Should Not Do in Indonesia

By Stanley A. Weiss

Last year, he lost his way: There were fires, droughts, locusts and plane crashes. This year, the economy crashed. Now he is gone.

He has been replaced by B. J. Habibie, who appears to be trying to open the way to democratic reform. This new puppet master does not hold all of the strings and seems to be making up his stories as he goes along. Neither Javanese nor mystic, he is more comfortable communicating with his computer, exchanging e-mail with the world.

Mr. Habibie rules at the pleasure of the military commanded by General Wiranto, a former aide to President Suharto. As Mr. Habibie says, "I take General Wiranto with me everywhere, as long as he is smiling I know I'm O.K."

For 32 years, President Suharto was the *dalang*, king who possessed *wayang*, the divine light signifying a Javanese leader's power. He ruled his nation as a benevolent despot, consulting frequently with his spiritual adviser and tapping the deep cultural roots of the *wayang*.

Mr. Habibie rules at the pleasure of the military commanded by General Wiranto, a former aide to President Suharto. As Mr. Habibie says, "I take General Wiranto with me everywhere, as long as he is smiling I know I'm O.K."

Now there will be no parliamentary elections until next May and no selection of a president until December 1999. Mr. Habibie has more time to consolidate his power with the appointment of loyalists, such as General Faisal Tanjung, coordinating minister of defense and security.

America should resist any temptation to become a major actor in this continuing political drama.

The Indonesians did an impressive job of getting rid of President Suharto without any help from us, and they are engaged in a profound and lively negotiation about their political future," said Paul Wolfowitz, former U.S. ambassador. "For now, I believe, we should leave the negotiations to them and focus our efforts on preventing starvation."

And starvation is a real possibility in a country facing a shortfall of more than 5 million metric tons of rice. The response of the international community has been to pledge less than one-fifth that amount.

Mr. Wolfowitz urges immediate action and points out that the United States is far more likely to be listened to later if it takes the lead now in providing desperately needed food and medical assistance.

"A massive emergency as-

sistance program can also serve political as well as humanitarian purposes," he said. "If creative use is made of nongovernmental organizations in Indonesia for food distribution, it can strengthen some of the organizations critical to the success of political and economic reform."

</div

ART

A Fresh Look at Canaletto, Purveyor of Venetian Dreams

By Souren Melikian

International Herald Tribune

LONDON — In a one-room art show the more effective for its concision, the National Gallery projects an image of Canaletto that will surprise even those who thought they knew it all. In the lean, beautiful display that turns the sumptuous larks into a new exhibition genre, it forcefully thrusts itself upon the viewer.

The stated purpose of the exhibition, on view until Oct. 11, is to explore Canaletto's technique and his treatment of the topography of Venice.

Instead, the visitor discovers the obsessions of an artist who played with urban reality to compose a stage set and convey moods.

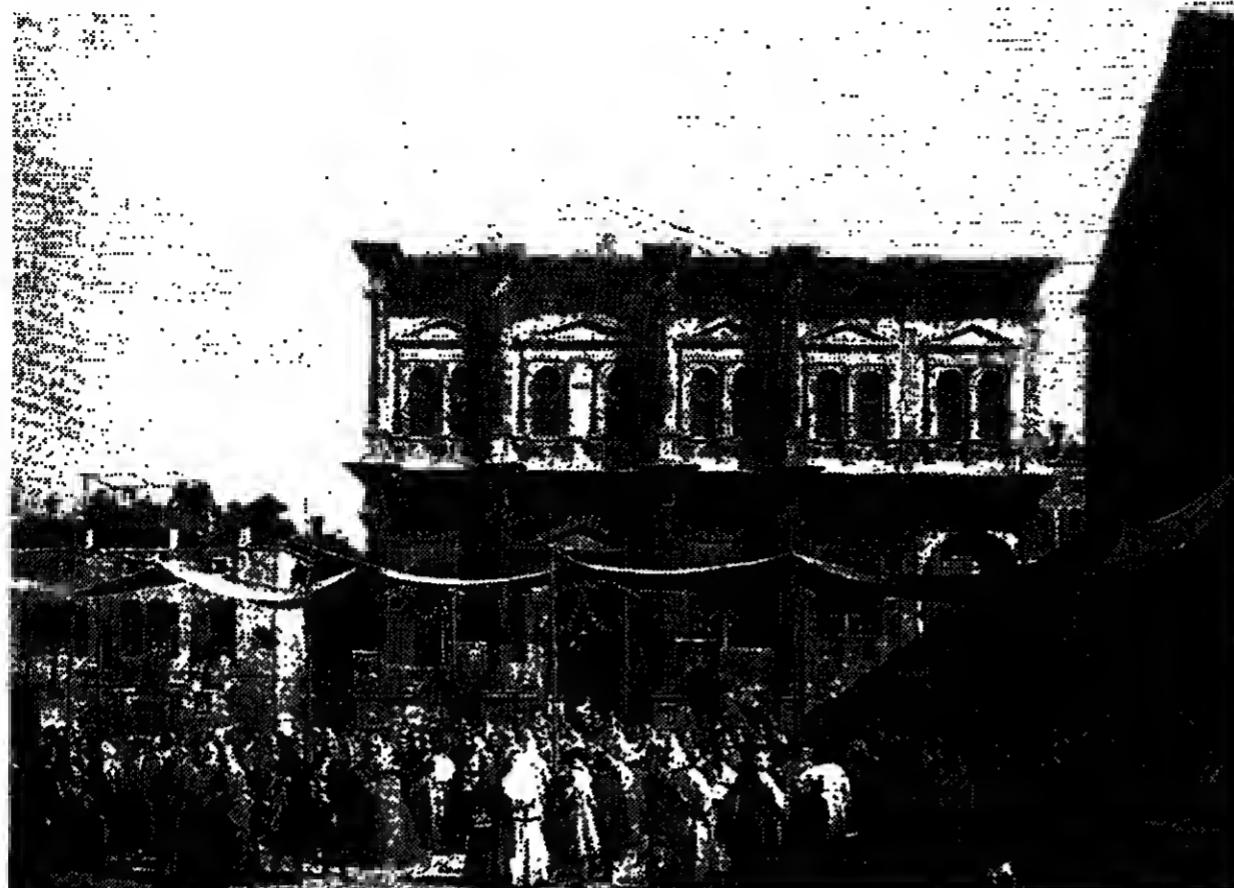
The point is made right at the entrance with "The Feast Day of Saint Roch" hung on its own on a large panel. A crowd in colorful finery fills the foreground with the Scuola di San Rocco facade as a backdrop. Looked at closely, the characters turn out to be little more than dummies with identical expressionless features cursorily sketched.

It is the Scuola that matters. The facade is hung with festive garlands and big oil paintings are attached to it above eye level, making the architecture come alive. The crowd is a mere ornament.

With the View of the Grand Canal looking toward the Church of Santa Croce, the stage moves from firm ground to water, but here too the real part is assigned to architecture. Canaletto has taken liberties with it. More buildings appear than can be seen from where he stood. The perspective, defined in linear terms, has no depth. There is no volume to the buildings, no mist in the air.

This is a theatrical set for a fairy tale whose actors forgot to turn up — few humans are to be seen.

A small view by an anonymous artist described as a "follower of Canaletto" indicates that admirers tried to emulate this manner. In its lean style, the com-



"The Feast Day of Saint Roch" with the richly ornamented Scuola di San Rocco in the background.

position is stronger than Canaletto's own.

The dome of San Simeone Piccolo looks huge on the classical structure that supports it, no bigger than the dome itself. A few gondolas glide on parallel lines in the horizontal strip of a canal. Despite the scanty human presence, a strange tension emanates from the scene. If Expressionism in architectural views ever existed, there it is.

Nearby, Canaletto's own rendition of

to break out as the sun, invisible behind wisps of white and purplish gray clouds, lights up the incurving sweep of the canal with an unnaturally intense yellow glare. The palaces on the opposite side, plunged in darkness, cast spiky shadows across the water. Three gondolas are barely visible near the wharf enveloped in blackness, while a fourth lonely boat appears in the middle, looking frail in the vast expanse of water.

Nature is about to explode. The tension, toned down by the theatricality of the urban setting, places the picture in a category of its own. On loan from a private collection, this is one of the revelations of the show.

So is another view of the Grand Canal with the Rialto Bridge seen from the north in 1735. This too is a private loan. The light effects in the windswept sky where the sun remains invisible, the reflections in the water and the shadow play give it an even greater intensity.

A drawing in pen and brown ink from the Ashmolean Museum in Oxford, concerned about was indeed light rather than architecture. The word *sole*, the sun, is written on the drawing precisely where the water sends back a pale yellow gleam in the painting.

The masterpiece in this dramatic manner, virtually unknown outside its present hometown of Hull, England, is "The Grand Canal Looking Northeast From the Palazzo Balbi to the Rialto Bridge" on loan from the Ferens Art Gallery. The left bank stands out in a lurid glare under a black cloud that hangs over it like a pall. Canaletto has reinvented the facade of the palazzo, adding two more windows. The cataloguer finds it surprising, but this merely demonstrates that architectural detail never was the point.

The picture is about atmosphere and mood. Categorized as a "regatta scene," it has little to show for it — only the temporary pavilion of painted wood and plaster from which peasants were handed out to winners reminds the viewer of the subject. Human presence is confined to a few ordinary toiling

Venetians. Even the facade does not have the neatness that Canaletto associates with palazzi in his views for tourist consumption. Venice is shown here without frills.

In 1727-28, the artist painted one of the last of his unpampered views. For once, "The Stonemason's Yard," one of his two or three greatest works, does not focus on facades, but on the working space of a mason's yard strewn about with blocks of stone. The master mason carefully trims one, hammer in hand, while an apprentice does the rough work on a big long block.

A miniature domestic drama is played out in the foreground. A housewife, her broom propped against the angle of a house, bends to attend to a screaming child of 4 or 5 that has just fallen on his behind, possibly pushed over by his elder sister who stands, firmly gripping a stick. Light plays off the planks of a long lean-to at the right. Modest white sheets hang down from the windows of the facade of a house to serve as blinds filtering the strong light. In the distance, across a canal, the tower of Santa Maria della Carita rises high in the sky.

THIS is the backstage view of working-class Venice, moments included. The 19th century must have loved it.

But the difference with the 19th century is that realism does not come into it. It is a ballet in a Venetian decor, albeit a populist one.

"Presumed objectivity was in fact subject to artistic license," David Bomford and Gabriele Finaldi remark in the catalogue, in connection with what they call the "artist's 'impossible viewpoints'."

But Canaletto was not interested in reality as such. He only strove to create the illusion of reality — reality reinvented and reassembled with the persuasive power of a storyteller. And as his tale was Venice, Europe fell under the spell of his Venetian dreams, followed by the rest of the world.

Settlement Is Reached Over a Looted Degas

By Judith H. Dobrzynski

New York Times Service

NEW YORK — In the first Nazi looting case to be settled in the United States, the relatives of two Holocaust victims say that they have reached an agreement with a pharmaceutical company over ownership of a Degas landscape.

The agreement essentially calls for a "split the baby" solution. In it, the Art Institute of Chicago will acquire the work, "Landscape With Smokestacks," jointly from Lili Gutmann and her nephews Nick and Simon Goodman, the daughter and grandsons of two Holocaust victims, and from Daniel Searle, the current owner, who is a trustee of the art institute and a former chairman of G.D. Searle & Co.

The art institute will pay the Goodmans half of the work's fair-market value, which was not disclosed, and Searle will donate the painting. The agreement also stipulates that the names Friedrich and Louise Gutmann, who died in Theresienstadt and Auschwitz, respectively, as well as that of Searle, be on the institute's wall labels when the work is on display.

"It was an agreement made in heaven — nobody wins and nobody loses," Nick Goodman said. "And it was an opportunity. We wanted to show the world that we could settle our case and maybe show the way for all these other cases."

At least a half dozen claims for art



Wooden Hemba statue, Democratic Republic of the Congo.

The Hunters and the Warriors

By Michael Gibson

International Herald Tribune

PARIS — The usual museum approach to African art has tended to be formal and classificatory in the spirit of Linnaeus, lining up genera and species, so the little exhibition now at the Dapper Museum in Paris devoted to "Hunters and Warriors" appears to break new ground, in Europe at least, by approaching the subject through the traditions and oral history of the peoples concerned.

A cluster of frail and defiant equestrian figures dating from the once important Mali empire, for instance — mostly Djenne and Dogon — attest to the use of cavalry in the area as early as the 13th century (much earlier in fact, according to some sources), and an overview of oral traditions touching upon the significance of the horse in that part of the world is presented in the catalogue text by Youssouf Tata Cisse (a Malian himself, whose last name, incidentally, means "rider").

The exhibition's theme is the hunter and the warrior in various parts of the continent — concluding, historically, with the Zulu military empire created by Shaka toward the middle of the 19th century. The exhibition consequently deals with the very raison d'être of the male population of these regions, and with the mythic structures of power among the Zulu, in the cult of the river being the time of his own passing through the world.

Something in these strangely beautiful and deeply expressive works, whether Soninke, Dogon, Bambe or Mangbetu (to mention but a few) continues to fascinate us today. Perhaps it is their capacity to express, in a form that is both candid and enigmatic, the perennial riddle of individual and social existence that every culture responds to institutionally in its own way (but our own today, in many ways, less effectively than any other in the past).

The various myths of the hunter and the warrior evoked in this exhibition served to define the male identity in these societies. In Africa, as in other

parts of the world, the task of the male population was traditionally to feed and protect the community, the Amazons of ancient Dahomey being a striking exception to the rule.

These myths were bred in conditions that were often exceedingly harsh and made strenuous demands on the individual — and some raise intriguing questions about what happens when a ruler, like Shaka, instills his physical person at the very hub of myth. The question appears all the more relevant since Europe, in the present century, has been faced with similar questions, and its failure to confront them at the pertinent level of mythic representation (rather than sociopsychological speculation) has had devastating consequences, many of which continue to haunt us today.

THese overwhelming questions cannot be avoided in an exhibition dealing with the imagery of power. Such imagery has deep roots and its treatment here has, as usual, produced some magnificent objects: the sculptures already mentioned, but also the most beautiful and strangest conceivable knives with multiple blades (which, we are assured, the Kota, Wada and Ngwaka, among others, used in battle), as well as weirdly knobbed Amaro and Bedja shields made from elephant or hippopotamus hides which still project a somber, threatening aura.

The exhibition at Musée Dapper, 50 Avenue Victor Hugo, runs to Sept. 30.

ARTS

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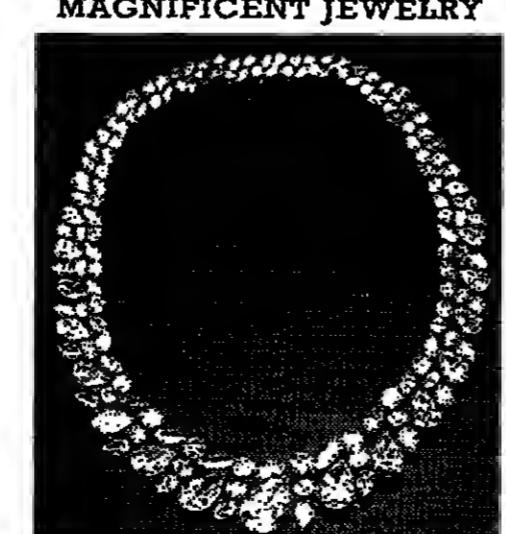
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TERRES D'ECHANGES

From July 1 to November 16

BOMBAY ICE

By Leslie Forbes. 418 pages.
\$24. Farrar, Straus & Giroux.

Reviewed by Christopher Lehmann-Haupt

SOMEWHERE in the colorful tapestry of Leslie Fortes's murder thriller, "Bombay Ice," lies the thread of a story that very nearly makes sense.

Her first-person narrator, Rosalind Bengal, is a part-Scottish, part-Indian London resident who reports for the BBC.

When she receives a hysterical postcard from her semiestranged half-sister, Mirinda, who is married to an Indian film director, Prosper Sharma, rumored to have killed his first wife, Rosalind flies to Bombay, using as her cover an assignment to investigate corruption in the Indian film industry.

"Think of the exotic corpses," she has told her producer. "Machetes, cobras, bites, ritual murder." She writes, "The ritual murder clinched it, and my remaining costs were covered by a BBC commission for six radio pro-

grams about the history of tropical storms."

Hardly has Rosalind settled into her room at the Hotel Ritz when she turns on the television and learns of a corpse that has washed up on Chowpatty Beach in Bombay just three hours earlier. The dead man is a *hijra* — which, as she shortly learns, means either a eunuch or a transvestite — and is the fourth to die on Chowpatty in the last eight weeks. Also, he is said to have been connected to the Bombay film world.

Since Mirinda mentioned a eunuch in her recent postcard, Rosalind immediately heads off for Chowpatty to see if she can learn something more about the victim. There she meets three policemen who tell her to mind her own business. Her suspicions aroused, she starts digging into the background of the *hijra*.

Quickly she finds herself on the trail of a scandal that not only leads back to Mirinda's film director husband but also branches into the leading power circles of Bombay.

Now it may seem a little troubling that Rosalind would thrust herself into this case so deeply without having first even spoken with Mirinda. But then Rosalind is a recklessly aggressive individual whose behavior keeps forcing you to ask yourself: Would this bother me so much if it were Sam Spade or some other hard-boiled male detective? And to answer uncon-

fortably, Probably not. She also verges on the poetic in her eloquence. So before you question the plausibility of Rosalind's actions, you find yourself caught in her wide-ranging net of references.

You wonder, for instance, about the mystery of her mother's death by drowning and what it had to do with the mother's habit of inflicting cuts on herself or her knowledge of poisons or her craft as a glider, which is someone who layers with gold and, in its archaic meaning, someone who smears with blood.

You wonder about Rosalind's repeated discussions of storms and chaos theory and why she herself is upsetting someone's attempts to impose order. And why is she named Rosalind, a woman disguised as a man in "As You Like It," when Mirinda and Prosper evoke the names of characters in "The Temepest," a play that Prosper has been making a film of for most of his career and that obsesses at least one other character in the novel?

"We were shipwrecked on an island and the island was Bombay," the story begins; "the monsoon threatend the whole city hostage." What transformation are the stranded passengers undergoing?

Finally, you are caught up by the portrait of Bombay, in all its shocking variety of poverty and wealth, drawn by Forbes, a Canadian writer now living in London, whose

previous books have been about travel and food. The city as a conveyor belt to chaos, "Rosalind muses. Yet out of its chaos Forbes has created a vivid sense of place.

Does the whole thing make sense, despite the complexity of the plot? It's difficult to tell in a single reading. But every intricate detail seems to serve its particular purpose: the swimming pool shaped like India before partition, where Rosalind swims from Nepal to Madhya Pradesh; the double-bladed scalpel on a swivel neck normally used for the delicate cutting of parallel circles in gold leaf; the frequent references to Hitchcock's "Strangers on a Train."

While its plot is inflexibly time-bound, the book's references stretch almost infinitely, embracing chaos theory, Ovid's "Metamorphoses" and the art of hollow casting, or *cire perdue*, invented by the ancient Greeks to reduce the weight of their monumental statues.

At its weaker points you feel that Forbes is temporizing, perhaps to distract from a story that is almost too complicated to be plausible. Yet also it's best the book's expansive, often rich, sense of India — so rich that it ceases to seem a mere country or nationality and comes to stand for humanity in both its corruption and self-transcendence.

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New York Times Service

EUROPE

Hot French Sun Sweetens the Wine - and the Profits

Bloomberg News

PARIS — The blistering sun that settled over France this past week should increase the quality of this year's wine harvest, although it will cut down on its quantity, wine producers say.

And that should mean higher prices for the second year, good news for an industry that accounts for 2.5 percent of total exports.

France, which vies with Italy as the world's largest wine producer, has an annual output worth more than 100 billion francs (\$16.72 billion), and even with some crop danger from the searing heat, wine growers have reason to hope for another year of double-digit income and export growth.

"Some areas are reporting burned grapes, but overall it looks like a very good year," said Laurent Charlier, an enologist at the Bordeaux Wine Interprofessional Committee. "The sun allows the grapes

to accumulate sugar."

The heat is best for the heartier red wines produced in the south and center of the country, promising some rich and tasty bordeaux, burgundy and cotes-du-Rhone.

It is causing some damage to more delicate whites and champagnes from the north, which are not used to the temperatures in the high 30s (up to 100 Fahrenheit) early in the week.

The conversion of sugar to alcohol through fermentation is what turns grape juice to wine.

A high sugar content, which is brought on by dry, hot summers, produces better wine. Dry weather also prevents molds. But hot sun, especially with the record temperatures seen in France this week, can cause some of the more exposed grapes to shrivel.

After an unusually cool and rainy July in northern and western France, which include the areas that

make champagne, bordeaux, burgundy and beaujolais wines, temperatures suddenly shot up to the high 30s last weekend, well above average. The heat wave lasted less than a week before cooler, but still sunny weather prevailed in the north.

The south, which includes the Chateauneuf-du-Pape and Languedoc areas, has had hot weather since early July, but the types of grapes grown there are used to the Mediterranean sun.

Marie-Annick David, a producer of white muscadet in the Loire Valley in the center-west of France, said her harvest this year could be cut by about 10 percent because of the heat, but that the quality of the remaining grapes would be better.

"The grapes like the sun," she said. "In the champagne area, up to about 5 percent of the grapes were 'grilled' by this week's heat wave, meaning they shrivel and drop off before maturing. It is the first time that has happened in more than five summers."

But this year's champagne harvest will still exceed last year's, which was curtailed by a mildew attack in July, said Daniel Lorson, secretary-general of the Champagne Interprofessional Committee.

The harvest will probably come against the limit of 10,400 kilograms (22,880 pounds) of grapes per hectare that was set to control quantity of our wine," she said. "This hot weather is exactly what we've all been hoping for."

None of the regional associations that represent France's various types of wine would make predictions for this year's vintage because there are still weeks until the grapes are harvested, depending on the area.

"We are crossing our fingers because one period of stormy weather and the crop will be ruined," the spokeswoman said.

Early August is crucial for grapes because it is then that they change color from green to either ruby or golden, depending on the variety, and that they begin their final maturing.

They also said they could not forecast prices, which are set by various auction systems, once the wine has been put into barrels this fall. But they said the combination of smaller quantity and high quality would obviously help.

Overall, the income of wine growers gained 23 percent in 1997 from 1996, the Agriculture Ministry said in May. Exports rose 16 percent to 42 billion francs last year.

"It's August that makes the qual-

London Tube to Adopt Smart Cards for Fares

Reuters

LONDON — London's underground transport system may be shabby, crowded and desperate for cash, but a £1 billion (\$1.65 million) contract awarded on Friday will give it up-to-date ticketing, which could cut fraud and save millions in revenue.

London Transport, the owner of the subway network, announced on Friday the signing of a 10-year contract with the Transys consortium, which includes Electronic Data Systems Corp. and Cubic Corp., both of the United States, and two other companies.

Not only the ticketing system is to be modernized. The European Investment Bank, the European Union's financing arm, said Friday it would lead £1.23 million (\$17.5 million) for modernizing the subway's electric systems.

The loan goes to Power Asset Development Co., which will be responsible for construction.

The work is to be performed as a private finance initiative under a 30-year concession awarded Thursday by London Underground Ltd. to

Seaboard Powerlink, the European Investment Bank said.

The new ticketing technology will use smart cards — cards carrying encoded information, such as the number of journeys paid for. This will make it easier to catch farebeaters, who now get away with £30 million to £40 million a year in fares, the Underground says.

Transys will install and operate the ticketing system, which will cover the subway, buses and some parts of the rail network.

Henry said Friday that Mayflower's offer possessed "little strategic logic" and would provide Mayflower with significant financial challenges. Both Mayflower and

Dennis Group PLC rejected a hostile takeover bid on Friday from Mayflower Corp. in favor of a higher offer from Mayflower PLC, but analysts said the battle for the maker of buses and fire engines may not be over.

Mayflower raised its bid 63 percent, to £309 million (\$502 million) for Dennis, which trounced Mayflower's £255 million bid.

Dennis said Friday that Mayflower's offer possessed "little strategic logic" and would provide Mayflower with significant financial challenges. Both Mayflower and

Mayflower are scrambling to take advantage of the strong growth in the British bus market as newly private bus operators order buses to replace formerly state-owned fleets.

This is the second time in less than a year that Mayflower could be faced with an unsuccessful takeover effort. Mayflower last year considered a takeover bid for Vickers PLC, a company almost twice its size, in an attempt to gain control of Rolls-Royce Motor Cars Ltd., later sold to Bayerische Motoren Werke AG and Volkswagen AG. Mayflower dropped the idea after BMW, a long-time customer, threatened to cut off engine supplies to the luxury cars.

"It's not all over yet," said Tim Kluczowski, an analyst at Granville Davies. "After Vickers, Mayflower doesn't want to miss out on this one."

Shares in Dennis closed at 508.5 pence, up 47 pence, while Mayflower shares closed at 512.5 pence, down 52.5 pence. (Reuters, Bloomberg)

Dutch Tighten Loan Rules Amid Asia Crisis

Bloomberg News

AMSTERDAM — The central bank of the Netherlands has tightened loan requirements to six countries by raising the amount of money Dutch commercial banks must set aside to cover potentially bad loans resulting from the Asian financial crisis.

The central bank said Friday that it had raised requirements for loans to Indonesia, South Korea, Pakistan, Turkey, the Philippines and Thailand on June 30.

The requirements come as a growing number of European banks are preparing for the worst by putting aside cash as economic troubles in Asia, Russia and

other emerging markets appear to be persisting or even deepening.

The largest Dutch banks did not wait for the central bank requirement, and have already taken measures to counter the possibility of default by borrowers.

ABN-AMRO Holding NV said in February that it had put aside 500 million guilders (\$24.85 million) against bad loans in Asia, 29 percent of its 1.7 billion guilders in outstanding private-sector loans to Indonesia.

ING Group NV said in May that it had set aside 400 million guilders for possible bad loans in Asia, adding to 300 million guilders already reserved.

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WORLD STOCK MARKETS

Friday, Aug. 14

Daily prices in local currencies

Telekurs

High Low Close Prev.

Amsterdam AEX index: 1154.27

Previous: 1147.43

High Low Close Prev.

Amsterdam

ABN-AMRO

48.50 47.70 48.25 47.75

Aegon

197.00 197.50 197.00 197.25

Akzo Nobel

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The Associated Press.

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ASIA/PACIFIC

Hyundai Registers First Loss Since 1981

Automaker to Shut Blockaded Factories

Compiled by Our Staff From Dispatches

SEOUL — Hyundai Motor Co. posted its first loss in almost 20 years Friday and said it would shut five factories indefinitely after a four-day blockade by striking workers turned violent.

South Korea's largest automaker reported a net loss of 1.21 billion won (\$908,000), in the first half of the year, its first loss since 1981. In the first six months of 1997, it made a net profit of 28.2 billion won.

Sales plunged 20.8 percent to 4.29 trillion won in the six-month period.

The company said the recession killed demand at home and the labor strife and fierce Japanese competition prevented it from cranking up exports.

A company spokesman also said that the business outlook for the second half of 1998 looked "pretty bad" because of the strikes.

Hyundai Motor expects to post a full-year loss, but it refused to give a forecast. "Half-year results indicate this would be the worst earnings ever in our history," said Min Kyung Hwan, a company spokesman.

Hyundai said it would shut the plants in the southern city of Ulsan after failing to break the blockade and resume production. About 127 managers were injured in scuffles with union workers, according to local media reports.

"Hyundai will indefinitely shut down plants as of 3 P.M. today," the Hyundai Motor president, Park Byung-Jae, said Friday. The executive was in Ulsan this week in an attempt to persuade workers to resume work.

The latest strike has already cost the company 718.5 billion won in lost production, or 7,964 vehicles, as of Thursday. Managers who entered the plants to restart production were attacked by union workers, the company said.

The Hyundai strike is seen as an important test of the Korean government's resolve to reduce the power of unions as companies strive to shed workers to weather the worst recession since the Korean War of 1950-53. Unemployment has tripled since November and in June reached 7 percent.

Big Loss at Korea Chipmaker

Compiled by Our Staff From Dispatches

SEOUL — LG Semicon Ltd. of South Korea on Friday reported a net loss of 249.1 billion won (\$186.9 million) for the first six months of 1998 amid a global glut in microchip demand.

The loss reversed a 1997 first-half profit of 16 billion won. Sales rose to 1.21 trillion won from 849.3 billion won a year earlier.

The company said the loss reflected the prolonged drop in demand in the semiconductor industry and falling microchip prices.

LG Semicon a week ago suspended production at two plants for a week in a bid to reduce the worldwide glut of microchips. It was the first time that the company had suspended production.

Other microchip makers in South Korea, one of the world's major producers of the key computer components, are also feeling the heat of the global downturn.

The cause of the latest walkout was Hyundai Motor's move to fire 1,569 workers, or 4 percent of its workforce, on July 31.

Hyundai Motor shares closed Friday at 13,200 won, up 700.

Analysts said Hyundai's losses would almost certainly grow in the second half due to the standoff with the unions.

The factories have been shut since the start of the strike on July 20 to protest mass layoffs.

"For Korean automakers, only bumpy roads lie ahead," said S.H. Lee, analyst at Dresdner Kleinwort Benson Ltd. (APP, Bloomberg)

U.S.-Korea Trade Talks Deadlocked

Compiled by Our Staff From Dispatches

SEOUL — The United States and South Korea have failed to reach agreement on a lingering auto markets dispute that has Washington threatening Seoul with sanctions, reporters said Friday.

Senior trade officials in Seoul said they were determined not to give in to U.S. demands that South Korea lower its tariffs on imported cars from 8 to 4 percent, the national Yonhap news agency said. Three days of talks ended in Washington late Thursday with the two sides reportedly still at odds.

Yonhap quoted a South Korean source close to the talks as saying that 8 percent was still lower than the 10 percent levied by the European Union. But the U.S. stuck to its guns.

Washington warned Seoul in October that if it failed to cut tariffs it could face sanctions. South Korea has resisted, pointing to an economic crisis in Asia that has forced South Korean automakers to proceed with their first mass layoffs.



A laid-off worker and his sons in the union's tent city at the Hyundai plant in Ulsan, South Korea.

Asian Recession Curbs Taiwan's Growth

Compiled by Our Staff From Dispatches

TAIPEI — The government acknowledged Friday what businesses and economists have said for months: Asia's recession will erode more than a percentage point from Taiwan's still-admirable economic growth for 1998.

The slowdown in one of Asia's last high-growth economies became official with an announcement that gross domestic product was on track to grow 5.3 percent this year, down 0.7 percentage points from the 6.77 percent pace of 1997.

The state statistics directorate said that second-quarter GDP rose 5.21 percent against a year earlier and predicted that growth would bottom out at 4.95 percent in the

third quarter before rebounding to 5.21 percent in the fourth.

The second-quarter growth was the slowest in two years and fell short of the government's quarterly forecast of 5.78 percent. In May, the government projected 1998 growth at 6 percent. The new estimate would be the slowest growth since 5.0 percent in 1985, said the Directorate General of Budget, Accounting and Statistics.

"This is very realistic, very practical forecast," said Wei Duan, chief statistician at the directorate.

Mr. Wei said the year-old Asian financial crisis was more damaging than expected, slashing regional demand for Taiwan exports.

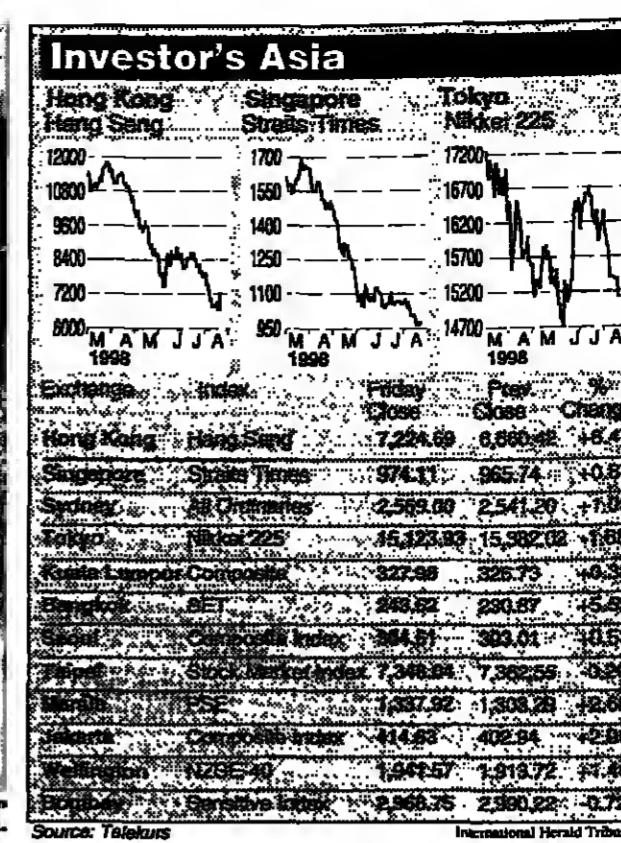
Growth now is being driven

entirely by domestic consumption, rather than by trade, he said.

"The impact of Asia's financial storm exceeds everyone's expectations and the impact on our economic growth therefore has widened," Mr. Wei said. "But among the four Asian dragons, our performance is still admirable."

South Korea and Hong Kong are undergoing economic contractions, while the fourth so-called dragon, Singapore, has seen growth shrink to 1.3 percent, according to international estimates.

But Mr. Wei warned: "Our economy relies heavily on trade. As economies in most of Asia are weakening, a slower growth in Taiwan is inevitable." (Reuters, Bloomberg)



Source: Teletext

Very briefly:

• India's economy is expected to expand 6 percent in the fiscal year through March, as a normal monsoon season helps lift farm output 4 percent, said Y.V. Reddy, a central bank deputy governor.

• The Philippines posted a trade surplus of \$130 million in June, its first in almost a decade, as the slowing economy and the depreciation of the peso caused imports to plunge 25.5 percent from a year earlier, while exports rose 12.3 percent.

• Korean Air reported net income of 5.4 billion won (\$43.8 million) for the first half, after a loss of 134.4 billion won a year earlier. It cited gains from sales of aircraft.

• Microsoft Corp. plans to establish a regional operations center in Singapore, employing about 100 people to support manufacturing and sales for the Asia-Pacific region.

• Woodside Petroleum Ltd. of Australia and Shell Australia Ltd. plan to jointly explore for, produce and market oil and gas, which may result in the sale or swapping of assets.

• China's benchmark investment indicator, spending on fixed asset investments, grew 22.8 percent last month, the fastest pace in three years.

AFP, Bloomberg, Reuters

IMF: Russia Finds Itself Again at the Brink Despite the Recent Massive Funding Program

Continued from Page 1

the Russian currency.

That is the scenario feeding the fears of the Clinton administration, because a collapse in the ruble could rekindle hyperinflation. That in turn would endanger President Boris Yeltsin's reform-minded government, which has claimed credit for stabilizing prices — one of the few bright spots in Russia's economic picture.

Washington's deepest worry is the possibility that such an environment might enable extremist forces to gain power in a country armed with thousands of nuclear weapons.

President Bill Clinton is heading for a summit in Moscow on Sept. 1, and his top foreign policy and economic advisers were heavily engaged in discussions this week about how to turn the crisis around. Mr. Clinton and Mr. Yeltsin held a long telephone conversation on Friday, the Kremlin press service said, according to Reuters.

When the IMF approved its rescue plan on July 20, few market players quarreled with the logic.

The idea was to lend Moscow enough dollars and other "hard" currencies to convince markets that, for the time being at least, the government could pay its bills comfortably and accommodate all requests to sell the ruble without letting the currency's value fall.

The money was doled out under strict conditions aimed mainly at forcing Moscow to take painful actions needed to balance its budget, because the government's incessant borrowing had driven interest rates to astronomical levels that were clearly unsustainable. In particular, the IMF insisted on a major crackdown on tax evasion, which has grown to epidemic proportions.

"The markets aren't criticizing the Fund for the program in Russia the way they are for some of the programs in Asia," said Charles Blitzer, director of emerging markets research at Donaldson, Lufkin & Jenrette in London.

But Russia's credibility with investors was low, because it already had been receiving IMF funding under a 1996 loan package and had often failed to meet the conditions set by the 182-nation organization.

Market skepticism deepened when the Communist-dominated State Duma refused in mid-July to pass some of the most important tax measures. And although Mr. Yeltsin enacted them by decree, worries remained that his decrees would be ruled unconstitutional.

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For the moment, the critical question is whether the banks will do as well next week. The Thursday crisis was rooted in months of speculating by some banks in high-yield government bonds and currency "forwards" — contracts to buy or sell currencies at specified future dates. The banks had bet that the ruble would remain stable and that the bond prices would not collapse — and when their bets soured, they were unable to cover their losses.

Russia's Central Bank has begun pumping money into some of the most illiquid banks, and analysts said it was spending still more money to keep the value of the ruble from deteriorating further. That pleased investors, but it is uncertain how long the Central Bank, which has only \$17 billion in reserves, can continue without outside help.

Russia's leaders continued Friday to reject calls to devalue the ruble, a move that would instantly reduce the nation's debt, but would also ignite inflation, destroy investors' confidence and pro-

voke a political showdown with Communists and nationalists.

President Boris Yeltsin, in the ancient city of Novgorod, said Friday that "there will be no devaluation — that's my definite."

"That would signify that there was a disaster and that everything was collapsing," he added. "On the contrary, everything is going as it should."

Mr. Yeltsin made a point of noting that he had not even broken his summer vacation to return to Moscow, but instead had directed Prime Minister Sergei Kiriyenko to press ahead with an overhaul of tax and budget policies that is seen as critical if the government is to remain solvent.

Mr. Yeltsin also summoned the Communist-controlled lower house of Parliament, the Duma, into emergency session to address the fiscal crisis. Because the Duma has refused to meet, Mr. Yeltsin has been forced to issue a series of legally dubious decrees ordering Mr. Kiriyenko's overhaul.

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Mr. Yeltsin also had a lengthy telephone conversation about the crisis with President Bill Clinton on Friday, the Kremlin said. The White House said Thursday that it had forcefully urged Russia to restore confidence in its economy, but was silent on whether the United States would come up with further loans to help Moscow do just that.

Other officials said that finance ministers of the so-called G-7, the major Western industrial powers, were already talking about how they might assemble another loan package or other assistance to steer Russia away from bankruptcy.

■ Russia Sets Gazprom Price

Russia set the starting price for 5 percent of OAO Gazprom at a 46 percent premium to its internationally traded share price as the government struggles to raise cash to narrow its budget deficit.

Prime Minister Kiriyenko signed an order setting the price of the stake in the world's biggest natural gas producer at 10.34 billion rubles (\$1.65 billion) and requiring bidders to deposit 320 million rubles with the government. The date for the sale has not been set.

While the yen rebounded slightly Friday in Asian trading after its sharp drop against the dollar this week, it is still trading near an eight-year low against the U.S. currency.

Some analysts said they were troubled by the Hoog Hong government's bellicose tone, which they said could erode the confidence of investors. They noted that Malaysia had scared off investors because of inflammatory remarks about currency traders by Prime Minister Mahathir bin Mohamad, compounding the damage that speculators had done.

"It is legitimate to wage war against speculators in a calculated manner," said Miron Muskat, a strategist at Indocam Asia. "But Hoog Hong is turning this into something of a jihad against the speculators."

Beyond the issue of rhetoric, some analysts said they feared that Hoog Hong might be unable to maintain its commitment to a linked exchange rate at a time when the yen is spiraling downward and virtually all of Hong Kong's neighbors have devalued their currencies.

"The weak yen is clearly the fundamental driver, and it is growing weaker by the day because of domestic developments," said Jan Lee, chief economist at Hong Kong and Shanghai Banking Corp. "The Japanese authorities lack the political will to deliver the necessary changes."

While the yen rebounded slightly Friday in Asian trading after its sharp drop against the dollar this week, it is still trading near an eight-year low against the U.S. currency.

The trouble with such a system is that the government must be prepared to tolerate painful surges in interest rates, which can strangle credit and hobble economic growth.

"The politicians are absolutely committed to the exchange rate, but at what cost?" Mr. Lee asked. "At the cost of a very significant deflation in Hong Kong — far more than what I believe people are willing to tolerate."

Previous efforts to defend the Hong Kong dollar have resulted in sharp drops in property prices and the stock market, which is largely driven by real estate industry values.

Sir Donald said Friday that the attacks on the Hong Kong dollar were designed to force just such a chain reaction of soaring interest rates and swooning stock prices. He said the same hedge funds that had speculated against the currency had accumulated short positions in the shares of Hong Kong companies. When those stocks plunged, he said, the hedge funds stood to make a tidy profit.

By engineering a rally in stocks, the government hopes to inflict heavy losses on the hedge funds — a punishment it believes will dissuade them from targeting the currency in the future.

Continued from Page 1

were also buying shares on the stock exchange to prop up the Hang Seng.

Hoog Hong's action underscores that, after several weeks in which the falling Japanese yen had commanded the attention of Asia's markets, currency trading is turning into a blood sport elsewhere in the region.

Using remarkably blunt language, Sir Donald accused traders of employing "a whole host of improper measures" to undermine the Hong Kong dollar. He said they had spread "vicious rumors" that Hong Kong was going to break its exchange rate, which is linked to the U.S. dollar, that China was about to devalue its currency, the yuan, and that Hoog Hong banks were unstable.

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Investing at Albion's Edge: An Asian Drag on Scottish Factories

By Barbara Wall

SCOTLAND HAS more to offer than whisky, oil and tartans. Some of Britain's fastest-growing companies have Scottish roots, such as the transport companies Stagecoach Holdings PLC and Firstbus PLC. But while further opportunities exist in selected industries, investors cannot just take headings down the country — reports from trade organizations and financial institutions suggest the tarten economy may not be as robust as some pundits would like them to believe.

"Manufacturing throughout the British Isles is suffering due to the strong pound and problems in Asia, but Scottish manufacturing companies are worse off than companies in England because they are more reliant on exports and have greater exposure to Asia," said Chris Williamson, the writer of a monthly report on the Scottish manufacturing industry for NTC Research, an economics consultancy based in Henley on Thames, near London. "Drinks companies, electronics firms and textile companies have been hit particularly badly."

Also, the inauguration of a new Scottish Par-

liament next year is seen by some members of the business community as a source of concern. According to analysts, the chief worry is that the Scottish National party, which is likely to hold sway in the new Parliament, will introduce business-unfriendly tax initiatives.

But the Scottish economic picture is not all doom and gloom. Mr. Williamson said the financial-services and communications industries are experiencing strong growth, though the pace has slowed in recent months.

Given the Scots' reputation for prudence it is perhaps not surprising that the country has acquired an international reputation for excellence in financial services. Justin Urquhart-Stewart, a spokesman for Barclays Stockbrokers in Glasgow, said that he expected the Scottish financial-services sector to continue its strong growth.

"Scottish financial-services companies have not been tainted by the rogue-selling scandals that have hit English companies. They also benefit from having a better-educated work force. The Scottish education system is widely perceived to be better than the English one," Mr. Urquhart-Stewart said.

"Further consolidation in Scottish financial services is likely in the months ahead, and this

could produce some attractive investment opportunities," he continued. "Many of the Scottish life companies, such as Scottish Mutual Assurance PLC, are strong candidates for takeover. These companies do not have the economies of scale to continue growing, and they have good brands that can be developed for the international market."

James Laing, a fund manager with Tilney Investment Management in Edinburgh, said that if he had to pick a winning Scottish-financial services company he would opt for Bank of Scotland, the largest by market capitalization.

"The Bank's share-price performance has been fantastic. In the last 12 months, to the end of July, Bank of Scotland has outperformed the All-Share Index by 39 percent. Although the share price was affected by recent market corrections, the stock has not fallen by as much as its peer group," he said.

What makes it attractive? "The company is very well managed," Mr. Laing said. "To get a feel for this, investors need only take a look at the company's cost/income ratio, which is how banks measure the efficiency of their operation. Some British banks spend more on running their operation than income received. With a cost/

income ratio of 50 percent, Bank of Scotland is by far and away the most efficient of all the Scottish banks."

For investors seeking a conservative Scottish stock, Mr. Laing recommended ScottishPower PLC. "ScottishPower has already been hailed as a great Scottish success story, but there is still a lot of mileage in the company. It is the only true multistate company in Britain. It owns South West Water in England and is expanding aggressively into telecommunications and the Internet. In terms of stock-market performance the company has been a real plodder, but it pays a regular dividend and is a very safe and reliable investment bet."

Judith Mackenzie, an analyst with the Bell White & Co. brokerage in Glasgow, has

a specialist knowledge of small Scottish companies. She follows several technology stocks, and atop her list of investment recommendations is Aortech International PLC. Aortech, listed on the Alternative Investments Market, develops heart valves and other medical devices.

"The market for technology stocks has been difficult in the past few months," Ms. Mackenzie said, "and Aortech's share price performance has reflected this, but the company has a good story to tell. Aortech is six months away from introducing a new heart valve that will blow the rest of the market away. The heart valve will open up opportunities for different types of heart surgery."

She also likes Vision Group PLC, a supplier of microchip imaging sensors and cameras. "The share price performance has been fairly dismal," she said, "but the company has some good products and has been slated as a possible takeover target by one of the major original equipment manufacturers. Although I like the company, it should be seen as a highly speculative investment."

Quickfit Holdings PLC, a chain of garage repair outlets which offer additional services such as insurance, was one of the small-cap stocks recommended by Mr. Laing. "Quickfit, as with many Scottish companies, owes its success to one dynamic individual: Tom Farmer. Mr. Farmer has created a company with a strong national presence," Mr. Laing said. "Ask any car owner in the British Isles to name a handful of garage repair operators and the vast majority would probably struggle to name an operator other than Quickfit. The company is also expanding aggressively into Europe. There are now 168 Quickfit outlets in Holland and Belgium, which brings the total number of outlets to 922."

Many Scottish companies are too small to get a stock market listing, but there is a closed-end fund listed in London that invests in them. Abtrust Scotland, a dedicated Scottish Investment Trust, was introduced in 1987 by Aberdeen Asset Management. Hugh Little, Abtrust's manager, said: "We always take a minority equity stake and look to make money when the company is floated on the stock market, or sold on. Our biggest success story is Firstbus. The fund's initial investment of £15,000 is now worth around £7 million."

Although the fund is invested in many sectors, it has a strong bias toward oil services. "In the last five years or so," Mr. Little said, "the technology used in the manufacturing of key drilling components and in equipment maintenance has moved on dramatically. The expertise that Scottish companies have gained in these areas will be sought as more oil fields open up in Eastern Europe and elsewhere."

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- BELL LAWRIE WHITE & CO: 44 141 314 8109
- TILNEY INVESTMENT MANAGEMENT: 44 131 225 7846
- NTC RESEARCH: 44 1491 411 000
- SCOTTISH FINANCIAL ENTERPRISE, a government body charged with promoting Scottish industry: 44 131 225 6990

Underexposed, Undervalued Companies in Northern Ireland Trade at Discount Prices

By Conrad de Aenle

NORTHERN IRELAND is home to companies that local investment advisers argue would make good components of a British equity portfolio, yet they tend to escape the interest of mainland investors. About a dozen Northern Irish companies trade on the London Stock Exchange, with some having second listings in Dublin. It is hard for them to attract investors for several reasons, one of them being the difficulty that investors have trying to reach them.

"It does suffer a disadvantage from being across the water," observed Gervais Williams, manager of the Garmon Irish Smaller Companies Fund, whose portfolio includes several companies in the province.

"There's a physical barrier. Fund managers that want to meet businesses have to go farther and make more complicated travel plans. In terms of the way businesses operate, they're still very similar to [mainland] U.K. companies. But they don't get the exposure they really deserve."

These logistical difficulties leave companies in Ulster trading at cheaper valuations than their counterparts in less remote parts of Britain, as do two other circumstances. Patrick Mahony, a director of the Belfast brokerage BWD Research, calls these the Drumcree Effect and the Powerscreen Effect.

The latter refers to the collapse in the stocks of two machinery companies, Powerscreen International PLC and Mackie International Group, after reports of accounting irregularities.

"Powerscreen was a world-class engineer, vying to be Northern Ireland's largest company by market capitalization," Mr. Mahony said. That was last autumn, when the company was worth about £700 million and its share price was above £7. After falling as low as 45 pence, the stock has clawed its way back toward £1. Mackie's shares suffered a drop of similar proportion.

The managements have been replaced and the companies are on the mend, but the damage to investment in the region has been done.

"The difficulty is that there is a small number of quoted companies," Mr. Mahony explained. "Two of 10 or 12 having accounting irregularities takes the gloss off Northern Ireland."

So does the Drumcree Effect, which probably cannot be solved by new management. Drumcree is the site of clashes last month between Protestant groups and security forces during the commemoration of a Protestant military victory three centuries ago.

Despite the recent accord among various political interests in the province, sectarian violence continues and is factored into share prices, Mr. Mahony said.

Take the retailer Hampden Group PLC, "the stock that's most specifically thought to be Northern Irish," he said. When violence flares, people do less shopping, and there is the chance,

albeit remote, that retail outlets will be blown up. That leaves Ulster retailers trading at roughly eight times earnings, compared with 12 times for their mainland counterparts. "It's extraordinarily Drumcree-driven," Mr. Mahony said of Hampden. "It looks inexpensive at its current price." Late Friday, Hampden traded at 75.5 pence.

Mr. Williams also considers Hampden undervalued and has a similar opinion about Lamont Holdings PLC, a textile maker with "a history of difficult trading that has held back profits in the past." The company's shares are so depressed that the yield from its dividend, which it has no trouble covering from earnings, has climbed more than 14 percent, he noted.

Lamont "has an efficient and focused management now," Mr. Williams said.

"Trading conditions in the textile industry aren't necessarily easy, but the market is improving and the company is investing heavily. It's a business that I would suggest is well out of fashion and probably deserves a much better valuation going forward."

Another stock Mr. Mahony recommends is Viridian Group PLC, a power company formerly called Northern Ireland Electricity, which "looks inexpensive for a utility at the moment," he said, because of restructuring in the industry.

Viridian's stock is priced at less than 14 times its expected 1999 earnings, and it offers a dividend yield of 4.74 percent.

Mr. Mahony speculated that Northern Irish stocks could benefit from development south of the border. The benchmark stock index in the Irish Republic, the Iseq, was recently expanded to include all publicly traded companies in Ulster, which means that Irish fund managers who build portfolios to match the performance of that barometer will have to buy Northern Irish shares.

AFURTHER BOOST would come, he said, if the embryonic Northern Ireland assembly, authorized to govern local affairs under the April peace agreement, moved to reduce corporate tax rates to remove "the incentive to go to south," where the Republic's leviathans are lower.

The new assembly should cut taxes; it's got to do something radical to kick-start the economy," he said. Lowering tax rates "would be extraordinarily creative."

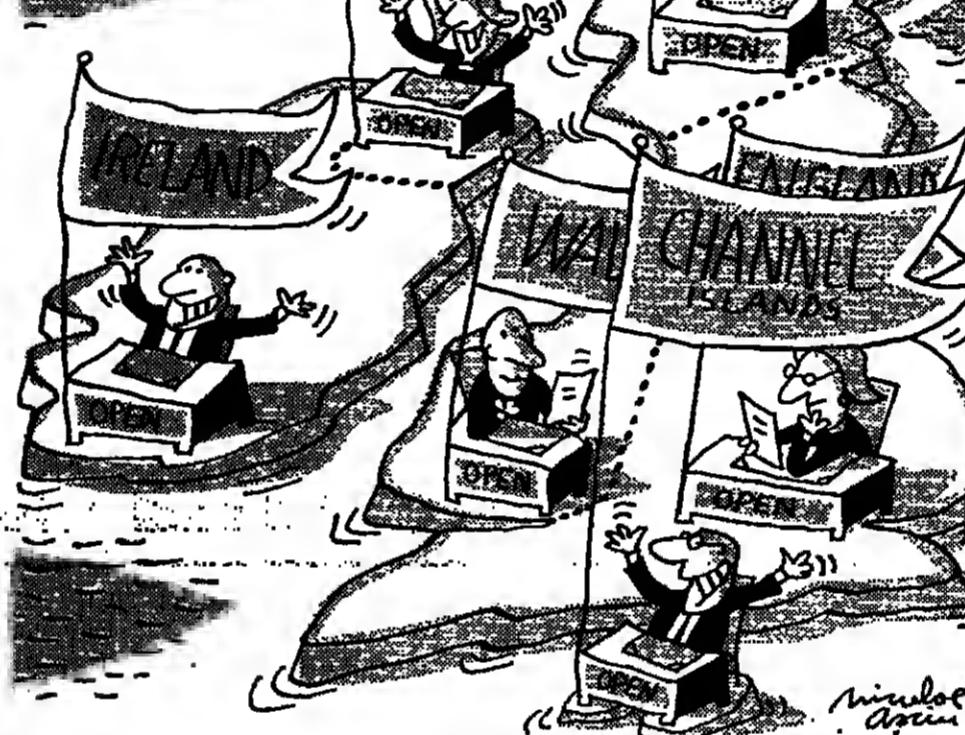
The business-friendly tax regime in the south has helped to fuel an economic boom there. Whatever the Ulster assembly does, Mr. Mahony said he expected the south's good fortune to spill over.

"Northern Ireland could become an emerging market," he said. "We have a Celtic tiger to the south; the chances of becoming a Celtic cub are there."

For further information, contact:

• BWD RENSBURG: Telephone: 44 1223 321 002 (Patrick Mahony).

• GARTMORE IRISH SMALLER COMPANIES FUND: Telephone: 44 171 782 2991, or, toll-free in Britain: 0800 289 336. Website: www.lics.co.uk.



Peaceful Backwaters Trade Up to Own Bourse

LIKE NORTHERN IRELAND, the Channel Islands suffer from a lack of proximity to fund managers. Unlike Northern Ireland, these specks in the English Channel, far closer to France than Britain, are not riven by political turmoil or violence.

The principal islands, Jersey and Guernsey, are placid places with no riving of any sort — but an attitude among investors that the islands are too small to bother with keeps a lid on valuations of the London-listed companies based there.

Being an offshore financial center, the Channel Islands plan to counter their low profile with their own stock exchange this fall.

"Looking across the board there are cheaper valuations than in the U.K. or other markets," observed Shane Le Prevost, head of the brokerage Colling Stewart (CI) Ltd. Whether that is justified is debatable.

"Take Guiton Group," he said, using the Jersey newspaper publisher to illustrate his point: "You could argue, 'Where is it going to expand?'" So maybe it should carry a lower price-to-earnings multiple than a mainland publisher.

But he added, "you could also argue the other way, that it's a monopoly and should carry a premium."

In either case, he likes Guiton's shares, as well as those of International Energy Group Ltd. The name sounds grand for a Guernsey company, but it actually has interests in Portugal, in addition to

being the gas utility in Jersey, Guernsey and the Isle of Man. The company's stock "is up 50 percent this year," Mr. Le Prevost said, "but I believe it will provide good value on a longer-term view."

Am Street Group Ltd., a Jersey-based brewery, likewise has "a reasonably low P/E and represents good value," he said, although cool, wet weather in the region this summer could temporarily depress profits.

The best-known Channel Islands company lately — and unfortunately — is Flying Flowers Ltd. Its share price was cut in half last month after disclosure that gardening venture had failed. It had been expected to produce strong returns and so earnings estimates were slashed.

Flying Flowers Ltd. "now looks very cheap," Mr. Le Prevost said, arguing the gardening effort was "a one-off management mistake." Speaking of mistakes, the brokerage had a buy rating on the stock before the price collapsed.

Mr. Le Prevost is one of the architects of the Channel Islands Stock Exchange, due to open in October. The exchange will list companies too small to trade in London and will provide a second home for local London-listed companies. It will also list investment funds and debt instruments.

"The response we've had from both islands, from London and from further abroad has been encouraging," he said.

Peter Patel, an investment director at Cater Allen, a Jersey brokerage, is reserving judgment. His firm has decided not to be a marketmaker — a broker that agrees to continually provide offers to buy and sell shares in certain stocks in order to maintain liquidity — when the exchange opens.

"It's a very novel idea; it will be a limited market to start with," Mr. Patel said. "We're waiting to see how it pans out, but there's a willingness to push this forward and put some of these stocks more into the lime-light."

The problem for the exchange, and for the market generally, is that this is an era of global investing, and the Channel Islands constitute a very small piece of the globe. Mr. Patel said even his local clients show little interest in the market.

"If you're looking for a steady investment that isn't going to crash, these will hold up well," he said, but "in a global portfolio, one needs to use companies not limited in exposure to a given market. If you want a pharmaceutical company, don't look for one in each country, buy an international one. With these Channel Islands companies, you can't do that."

— CONRAD DE AENLE

FOR INFORMATION about publicly traded companies based in the Channel Islands, call Peter Patel at the Jersey brokerage Cater Allen, Jersey, 44 1534 228 010, or Shane Le Prevost at the Guernsey brokerage Colling Stewart (CI) Ltd., 44 1481 726 511. Mr. Le Prevost can also provide information about the pending opening of the Channel Islands Stock Exchange.

In Dublin, a Celtic Cub Earns Its Stripes and Grows Into a Full-Fledged Tiger

By Aline Sullivan

THE C.R.A./C. or good time, in Ireland is going strong. Investors worried that the country's five-year boom would hit the buffers, if only because its economy is so small, have so far been proved wrong. Instead, the Celtic tiger is growing up.

That is partly because the Irish people are growing up — literally. A wave of baby boomers aged 15 to 24 means that by 2006 the labor force will be almost 30 percent larger than it is today, according to Dermot O'Brien, an economist at NTC Stockbrokers in Dublin. Married women are also entering the work force in droves, as are many recent immigrants.

That would have been bad news a decade ago, when Ireland's unemployment rate was near 20 percent, more than twice current levels, and school children were prepared for emigration. Today, it is perceived by many professional investors to mean that the country's surging economic growth is sustainable.

"We should have at least 6 percent growth in gross domestic product each year until at least the middle of the next decade," Mr. O'Brien predicted. That's not quite the average 8.4 percent recorded each year since 1994 but it is enough to keep Ireland's economy the fastest-growing in western Europe.

Michael Crowley, an economist at Davy Stockbrokers in Dublin, seconded that view.

"We expect a very modest slowdown in 1999, to

about 7 percent annual growth. But that shouldn't have much impact on the equity market because Ireland is still growing so fast."

Of course, prosperity is not built on population alone. Multinational companies setting up in Ireland to take advantage of its favorable tax regime and educated, English-speaking work force, have accounted for about half the country's annual economic growth. Industry analysts reckon that there is safety in the multinationals' presence and in their sectors: many are in the rapidly expanding computing, chemical and electrical engineering fields.

DUBLIN'S THRIVING offshore financial-management center has also been a boon, thanks to significant grants and tax concessions from the European Union. The irony is that Ireland is now one of the very few EU members in good shape for monetary union next year.

Longer term, the outlook is almost as rosy. In contrast to the rest of the European Union, where most countries are facing pension-funding crises as their populations age, the proportion of retirees in Ireland will remain relatively low until 2011 and increase only slowly thereafter. The median age of the population, now about 30 years, will not reach the current European level of about 40 for two decades.

At the same time, families are having fewer children than in the past. By 2006 the numbers aged over 20 in the population are forecast to rise

on the value of Ireland's electronics exports and a surge in chemical exports due to production of the active element of the anti-impotence drug Viagra, which is made at the Irish unit of Pfizer Inc. in County Cork.

Perhaps most importantly, employment will rise by 4 percent in 1998 and 3 percent the following year, compared with a 5 percent rise in 1997, the institute predicted.

Buying in to the Irish boom is straightforward. Consumer spending on cars, entertainment and leisure are rising rapidly, as is demand for new housing and such associated products as household durables and financial services. At the top of many analysts' lists in these sectors are Elan Corp., Kerry Corp., Independent Newspapers and Galen PLC, a pharmaceuticals maker.

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INTERNATIONAL FUNDS August 14, 1998
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WORLD ROUNDUP

Italian Soccer Stars Quizzed by Prosecutors

AP **NEWS** Alessandro Del Piero, Dino Baggio and Enrico Chiesa, three Italian World Cup players, were questioned Friday by prosecutors investigating possible use of performance-enhancing drugs.

Del Piero, who plays for Juventus, was heard by prosecutor Raffaele Guariniello in Turin. Chiesa and Dino Baggio, of Parma, were questioned by prosecutor Giovanni Spinosi in Bologna. The three were summoned as "people acquainted with the facts."

Three investigations have started since Roma coach Zdenek Zeman denounced the use of medicine in Italian soccer. (AP)

The International Olympic Committee plans to ask drug manufacturers to attend a meeting in Lausanne on drugs in sport. Kevin Gosper, a member of the executive board, said Friday. (AP)

• Gary Hall, a U.S. swimmer who won four medals at the 1996 Olympics, has been reinstated after a provisional suspension for a positive marijuana test. FINA, the sport's governing body, did not say if suspension had been canceled or if Hall was merely being allowed to race pending a hearing. (AP)

Tyson Redirection Appeal

BOXING Mike Tyson's advisers abruptly withdrew his application for a New Jersey boxing license Thursday, deciding instead to reapply in Nevada, the state that revoked it last year. The New Jersey Athletic Control Board was due to rule Friday. (AP)

Union Changes Focus

BASKETBALL In a sudden shift in strategy, the National Basketball Players Association Thursday withdrew its unfair labor complaint with the U.S. National Labor Relations Board.

The move came hours before the board's regional director was to issue his recommendation on the union's contention that owners imposed a lockout illegally.

The union said it wanted to focus on an arbitration hearing, which starts Aug. 24. (AP)

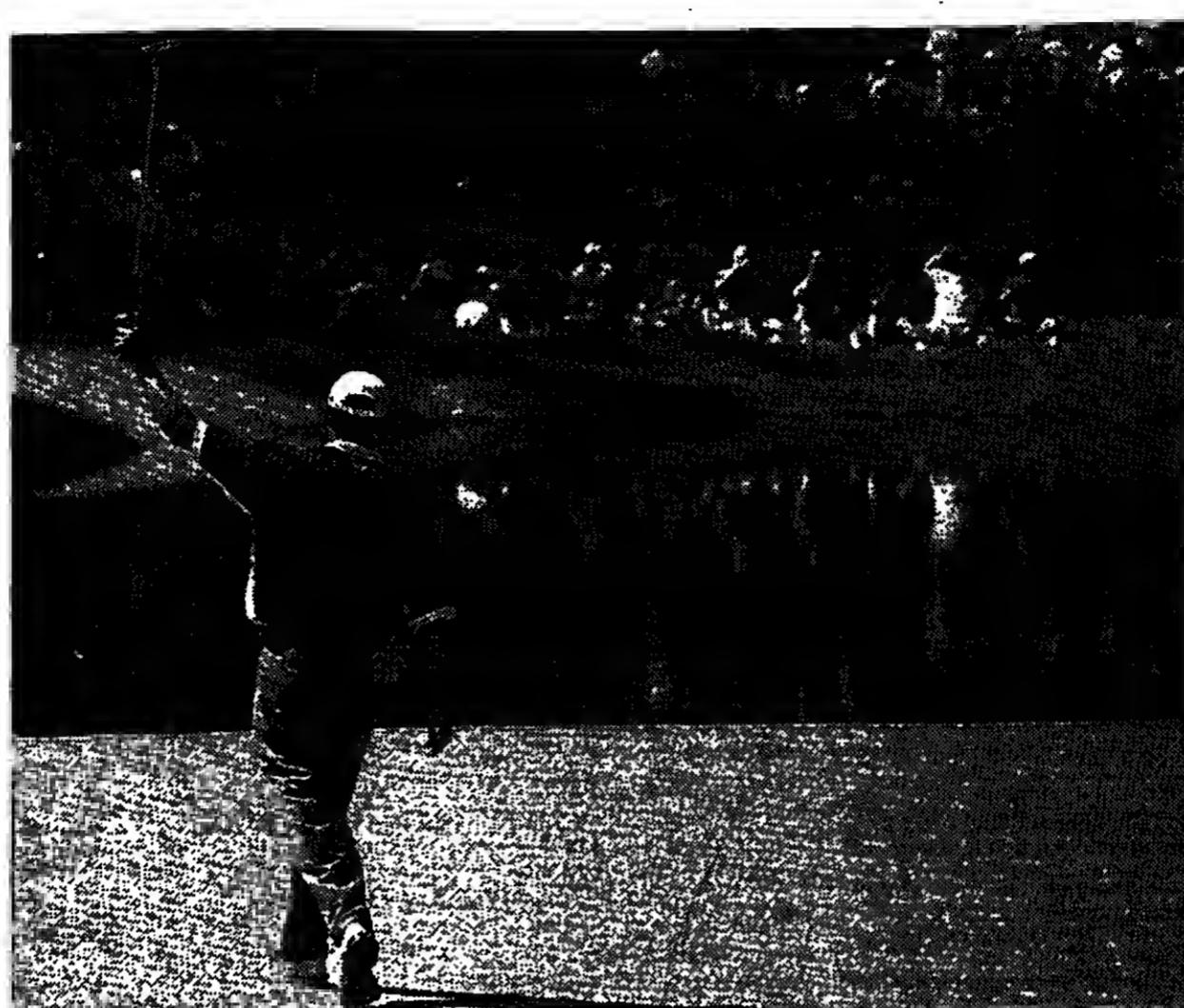
Tiger Woods Reduces Power as He Aims for Glory

Without Driver, The Long Hitter Avois Trees

By Clifton Brown
New York Times Service

REDMOND, Washington — He never used his powerful driver and his ball striking was not up to par, yet Tiger Woods ended up in first place after the first round of the PGA Championship.

Shooting a 4-under-par 66, and setting a course record while smartly winding his way between the monstrous trees



Tiger Woods saluting after making a 35-foot putt for birdie on No. 17 in the first round of the PGA Championship.

O'Meara, who came from behind to win both the Masters and the British Open. "I think it's exciting. I have nothing else."

But to win, O'Meara will have to catch Woods. Woods has been using O'Meara's backup putter — or as Woods put it, "The one I stole" — for the past month.

Woods set the tone for the day by making an 18-footer on No. 3 to save par, but he was just getting started. He made a 15-footer for birdie at No. 5, an 18-footer for birdie at No. 7, an 18-footer for birdie at No. 13 and a brilliant 35-foot downhill putt for birdie on No. 17. And for the first time this year, he has the feeling golfers dream about,

when every putt looks easy to read and the cup seems just a little bigger.

"I can't really explain why," Woods said. "Anyone who plays this game knows putting comes in cycles. You have to ride it when you have highs and try to get over slumps as quick as possible."

As for slumps, Woods has found himself defending his performance this year, despite nine top-10 finishes, a victory in the Bell South Classic in Thailand and a third-place finish in the British Open.

For most players, that would be an impressive season. So while Woods admits he would love to have more wins,

totes this year, his patient performance Thursday was another example of the progress he has made since last year, when he tied for 16th at the PGA Championship.

While most players found the back nine tougher than the front, Woods shot 34 on the front and 32 on the back. Meanwhile, others who threatened to end the day with at least a share of the lead had difficulty on the final holes.

Glen Day reached the 15th green at 5 under par with a one-stroke lead over Woods, who was already in the clubhouse. But Day made his first blunder of the day, three-putting from 6 feet for a double bogey that dropped him out of first place.

Singh Starts PGA 2d Round With 5 Birdies

The Associated Press

REDMOND, Washington — Tiger Woods was still on the practice green Friday when his lead evaporated in the PGA Championship.

Vijay Singh made five birdies on the front side to shoot a 30 and take temporary possession of the lead under ideal conditions at Sahalee Country Club.

Woods, who shot a 66 on Thursday, was still an hour away from teeing off in the second round when Singh made a birdie putt on the ninth hole to move to 5 under for the tournament, a stroke ahead of Woods.

Another stroke back was Steve Elkington, the 1995 champion who started the day 1 under and was at even par when he birdied three holes in a row beginning at the par-5 11th to move into contention.

Fred Funk birdied three of his first six holes to move to 3 under par but then slipped back to 2 under.

■ Burton Holds Lead in Open

BRANDIE BURTON, winner of the Du Maurier Classic two weeks ago, carded a 2-over 74 but moved into the halfway lead in the windswept Women's British Open on Friday. The Associated Press reported from Lytham St. Annes, England.

Burton goes into the third round, on Saturday, at 1-over on 145 with a 1-stroke lead over a fellow American, Leslie Spalding.

A bogey at eight and double bogey at nine cost Burton the outright lead, but she birdied the par-5 11th to regain a 1-stroke advantage.

Spalding, who only gained the draw as an alternate, made a 2-under 70 for 146 and second place. One of her four birdies included a 60-foot putt.

Wendy Ward carded a 71 for a 3-under halfway total of 147. She is tied with Janice Moodie of Scotland and Suzanne Strudwick of England, who both made level par 72s.

Se Ri Pak, winner of two majors in her rookie season on the U.S. Tour, was seven off the lead after a second round McBeth King, the co-leader overnight, bogeyed the first four holes for a 5-over 77 and slipped to three off the lead.

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

EASTERN DIVISION		CENTRAL DIVISION		WESTERN DIVISION	
11	L	11	11	11	11
85	49	252	181	100	252
Boston	70	48	103	70	48
Baltimore	57	57	205	57	57
Toronto	53	53	205	53	53
Tampa Bay	46	72	290	46	72

NATIONAL LEAGUE		NATIONAL LEAGUE		NATIONAL LEAGUE	
Atlanta	102	99	284-2	10	9
San Diego	99	99	280-2	9	9
Gloriavine and J. Lopez Langston, S. Somers	99	99	280-2	9	9
Philadelphia	64	54	242	10	9
Montreal	59	61	287	21	20
Atlanta	49	50	240	14	13
Florida	44	77	264	24	23

CENTRAL DIVISION		WESTERN DIVISION		NATIONAL LEAGUE	
Houston	75	45	240	11	10
Chicago	64	58	253	9	9
Philadelphia	59	61	287	21	20
Montreal	49	50	240	14	13
Florida	44	77	264	24	23

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SPORTS

A Young Owner on the Fast Track

Pollock Engineers the Deals at the Tyrrell Formula One Team

By Brad Spurgeon
International Herald Tribune

PARIS — Craig Pollock is a persuasive man. That is why, at 42, he is the youngest Formula One team owner.

Last November, he convinced one of the world's largest tobacco companies and another partner to join him in buying the team of the oldest and longest-lasting team owner, Ken Tyrrell, 73.

As the Formula One season heads for its 12th race Sunday at the Hungarian Grand Prix, the Tyrrell team has yet to score a point. No one involved seems worried. The team is just treading water as it marks the end of one era and the beginning of another.

In conversation, Pollock, a thoughtful Scottish former physical education teacher, fixes his interviewer with his pale blue eyes while explaining how he moved from teaching in a Swiss private school to owning a Formula One team.

Pollock left teaching and began a promising business career at a Swiss-based company selling motor sport rights. But the story of British American Racing, as the team will be called next year, really started in 1991 after Pollock ran into a former pupil at the Japanese Grand Prix. The pupil was the equally persuasive Jacques Villeneuve, who decided at once that Pollock was the man to manage his mediocre racing career.

At first, Pollock was not interested. But when in 1992 he finally agreed, he moved Villeneuve out of Europe, where he had been racing in lower formulas, and eventually to North America. There, rather than selling his driver to a team, he created a team around his driver. To pay for this Indy racing project he obtained sponsorship from Imperial Tobacco, a Canadian cigarette manufacturer owned by British American Tobacco, based in London.

In Formula One, said Pollock, "your chances of coming out of the box and winning are ten times less than they would be in IndyCar."

But he is not starting from scratch. Tyrrell had a staff of 115 employees, and that number will nearly double.

Buying an existing team is the only way for a new owner in Formula One to be guaranteed space on the starting grid and a cut of Formula One's lucrative television and promotional rights.

Ken Tyrrell was not seeking a buyer. He was as keen on racing as he was three decades ago when Jackie Stewart drove Tyrrell's cars to three world titles.

"We were having difficulties finding sufficient funds to do the job properly," Tyrrell said, "and British American Racing came along with a very generous offer, so we decided that was the best thing to do."

Formula One had changed since Tyrrell's first year, 1968, when his total sponsorship was less than £100,000 and he paid Stewart £20,000. Michael Schumacher earns an estimated \$35 million a



Michael Schumacher making a pit stop during a practice session Friday for the Hungarian Grand Prix Sunday.

year with Ferrari and BAT is contributing an estimated \$300 million over five years to BAR.

Years. He said recently that he is not happy in retirement. "I'd rather be doing what I was doing," he said.

Harvey Postlewaite, Tyrrell's technical director, said change was needed.

"The team was struggling because we were undercapitalized," he said.

Money may again leave them behind after tobacco sponsorship is outlawed throughout Europe next decade.

"It's no bigger problem for our team than it is for the other top teams," Pollock said, since the top teams all depend on tobacco sponsors. As BAT is part owner, he said he would also be looking toward them for solutions."

El Duque Rules in Bronx

The Associated Press

Orlando Hernandez set a New York Yankee rookie record with 13 strikeouts as New York beat Texas, 2-0.

The quirky Hernandez (8-3) mixed his pitches and arm angles as he allowed

AL ROUNDUP

just two hits in 8 1/3 innings against the American League West leaders Thursday and left to a standing ovation.

"I won 12 games pitching in Cuba, and have pitched in some very big games, and this one was big," said Hernandez, who is known as "El Duque."

"He made a lot of pitches different," said Ivan Rodriguez, the Texas catcher. "He threw over the top, he threw three-quarters. He threw from the side. He's got so many releases, it's hard to see."

New York improved to 46-8 at Yankee Stadium. It's on pace to beat the top home record in history, set by the Reds in Cincinnati at 64-17 (790) in 1975.

The Yankees won with just three hits.

Rick Helling (15-7) lost despite pitching a complete game. Helling set down 14 straight batters at one stretch and gave up only one hit after the first inning.

Giants 7, Indians 4. Rafael Palmeiro hit a three-run homer in the 12th inning off Steve Reed as Baltimore won at Jacobs Field.

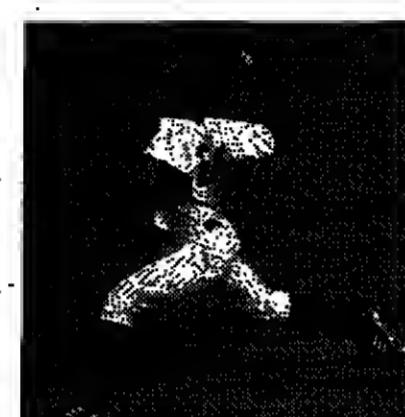
After the game, Cleveland signed Cecil Fielder to help ease the loss of injured first baseman Jim Thome. Fielder cleared waivers earlier in the day after being cut by Anaheim.

Red Sox 8, Twins 7. Nomar Garciaparra homered, singled and hit a go-ahead double in the seventh inning as the Red Sox beat Minnesota in Boston.

Garciaparra is batting .358 with a .704 slugging percentage in 19 games since the Red Sox moved him into the cleanup spot.

St. Louis 4, Angels 3. Jose Cruz Jr. hit a two-run single in the eighth inning as host Toronto won its fifth straight game and snapped Anaheim's four-game winning streak.

Royals 6, Devil Rays 4. Dean Palmer



Orlando Hernandez of the New York Yankees pitching against the Texas Rangers on Thursday.

ended a frustrating stretch with a two-run homer in the 10th inning at Kansas City. Palmer had stranded 14 runners in his previous two games, striking out five times and grounding into two double plays in eight at-bats. But with one out in the 10th inning, Palmer connected for his 26th home run.

The Yankees regained a two-game lead

Atlanta Regains Edge Over San Diego

The Associated Press

SAN DIEGO — Tom Glavine pitched a two-hitter for his second straight shutout. Chipper Jones homered and scored three runs, and Andrew Jones went 3-for-4, as the Atlanta Braves prevented San Diego from sweeping the series between the National League's two top teams.

The series was heavily hyped, but Glavine downplayed its importance.

"I still believe we feel like we've got a great ballclub, and I know they feel like they have a great ballclub," he said. "I don't think that anything that happened here these last three days changed that."

But Chipper Jones said doing well in a season series might give one team a mental edge over another should they meet again in the postseason.

"I know last year the Marlins beat us like eight out of 12 times," he said. "Mentally, they had it on us. It was a factor come NL Championship Series time." The Marlins won.

The Braves regained a two-game lead

over the Padres in the overall NL standings with the 5-0 victory Thursday. The teams will meet again next Thursday and Friday at Atlanta.

Glavine (16-4) became the NL's second 16-game winner. San Diego's

NL ROUNDUP

Andy Ashby was the first, outpitching Maddux in the Padres' 5-1 win Wednesday night.

Glavine faced just four batters over the minimum and extended his streak of scoreless innings to 23.

The Braves got to Padres starter Mark Langston early. The first five Brave hits were for extra-bases — four doubles and a solo homer by Gerald Williams — to give Atlanta a 3-0 lead after three.

Chipper Jones and Andres Galarraga hit consecutive doubles in the first for a 1-0 lead. Williams homered leading off the third.

Pirates 9, Reds 8. Kevin Young homered, and Lou Collier hit a tie-breaking triple, as Pittsburgh overcame a five-

run deficit to complete a three-game sweep in Cincinnati.

Pirate starter Todd Van Poppel lasted only one-third of an inning, giving up five runs on four hits and a pair of walks as the Reds pulled ahead, 5-0.

But Pete Harnisch blew a 5-0 lead for the second time this season, falling apart after he retired the first nine batters.

Astros 6, Brewers 2. Ricky Gutierrez hit a three-run triple and Jose Lima pitched eight strong innings as Houston beat visiting Milwaukee. It was the Astros' seventh straight victory.

Pete Incaviglia, making his first appearance for the Astros since getting called up from Triple-A New Orleans on Monday, added a two-run double in the eighth.

Dodgers 5, Marlins 2. Adrian Beltre hit a two-run homer as Los Angeles avoided a three-game sweep at home.

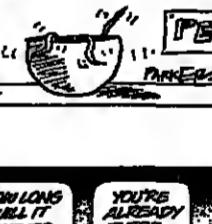
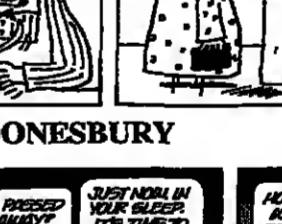
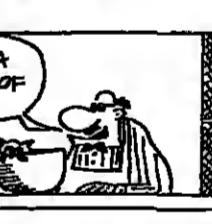
Brian Bohanon (6-7), the Dodgers' best starter since he was acquired July 10 in a trade with the New York Mets, gave up two runs on four hits in eight innings. Jeff Shaw pitched the ninth.

DENNIS THE MENACE

PEANUTS



CALVIN AND HOBBS



JUMBLE

GARFIELD

BEETLE BAILEY

NON SEQUITUR

BLONDIE

DOONESBURY

EDUCATION

EDUCATION

EDUCATION

ONIGG

DOONESBURY

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DAVE BARRY

Paris Without the 'R'

Miami — This summer, for my vacation, I went to Paris, France. I went there to follow in the footsteps of such great writers as Ernest Hemingway, Henry Miller and F. Scott Fitzgerald, all of whom, for the record, are currently dead.

I blame the Parisian drivers. Paris has only one vacant parking space, which is currently under heavy police guard in the Louvre museum. This means that thousands of frustrated motorists have been driving around the city since the reign of King Maurice XVII looking for a space, and the way they relieve their frustrations is by aiming at pedestrians, whom they will follow onto the sidewalk if necessary.

Often the only way to escape them is to duck into one of Paris's historic cathedrals, which fortunately are located about every 25 feet (or 83.13 liters).

Nevertheless, it's very pleasant to walk around Paris and feel — as so many Americans feel when they're in that incredibly beautiful city — fat. Because the fact is that we Americans look like enormous sneaker-wearing beef cattle compared to the Parisians, who tend to be very slim, with an average body weight of 38 pounds (7.83 meters).

It's odd that the French appear to be in such good shape, because the major activity in Paris, aside from trying to run over pedestrians, is sitting around in cafés for days at a time looking French.

Sometimes we Americans try to blend into the café scene, but the French immediately spot us as impostors, because we cannot pronounce the Secret French Code letter, which is "R." It is virtually impossible for a non-French person to make this sound; this is how the Parisian café waiters figure out that you are an American, even if you are attempting to pass as French:

WAITER: "Bonjour. Je suspect que vous êtes American." ("Good day, I suspect that you are American.")

YOU: "Mais je ne portes pas les Nikes!" ("But I am not wearing the sneakers!")

WAITER: "Ah, mais monsieur pantalons intelligents, prononcez le mot 'Rouen'." ("O.K., Mr. Smarty Pants, pronounce the word 'Rouen'.")

YOU: "Woon." ("Woon.")

WAITER: "Si vous êtes Français, je suis l'Homme de la Balle." ("If you are French, I am Batman.")

The other sure-fire way to tell the difference between French people and Americans in a café is that the French are all smoking, whereas the Americans are all trying to figure out how much to tip.

The tourist guidebooks are vague about tipping: They tell you that a service charge is USUALLY included in your bill, but it is not ALWAYS included, and even if it IS included, it is not necessarily TOTALLY included. On top of that, to convert from French money to American, you have to divide by six, and I have yet to meet anybody who can do this.

And so while the French are lounging and smoking and writing novels, we Americans spend our café time darning nervous glances at the bill, which is often just a piece of paper with a lone, mysterious, not-divisible-by-six number scrawled on it such as "83."

We almost always end up over-tipping, because we're afraid that otherwise the waiter will make us say another "R" word. I frankly don't know how the French handle tipping, because in my two weeks in Paris I never saw a French person actually leave one, you might get beamed up to the Mother Ship.

Not that I am being critical. As a professional journalist, I like the idea of a society where it is considered an acceptable occupation to basically sit around and drink. In fact, I liked almost everything about Paris. The city is gorgeous, the food is wonderful and they have these really swoopy high-tech public pay toilets on the streets that look as though, if you went into one, you might get beamed up to the Mother Ship.

Also Paris has a terrific subway system, Le Metro (literally, "The Metro"). I always felt safe and comfortable in the Metro, although one time, when I was waiting for a train, the loudspeaker made an announcement in French, which was repeated in English, and I swear this was the whole thing: "Ladies and gentlemen, your attention please. Robbers are in the station. Thank you." None of the Parisians seemed the least bit alarmed, and nobody robbed me, which was a good thing, because I would have had no idea how much to tip.

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This city has only one vacant parking space, and it's at the Louvre.

By Mary Blume
International Herald Tribune

PARIS — It took 41 years for Rodin's statue of Balzac to find a public space, at the corner of boulevards Raspail and Montparnasse. Even when it was finally inaugurated in the summer of 1939, the site was hardly choice because the statue made people nervous with its wild and unconventional treatment of genius: Why, people wondered, couldn't Rodin have shown the novelist pen in hand instead of striding in his bathrobe and — or so it seems these days — recoiling from the traffic, head thrown back as if to gasp for air?

The statue, Rodin said, was "the result of a lifetime, the pivot of my aesthetic." This was in 1898 when it was first displayed, reviled and rejected by the writers' group that had commissioned it. The Rodin Museum in Paris is commemorating the centennial of the scandal with an exhibition, "1898: Le Balzac de Rodin," detailing its creation and fate.

Balzac died in 1850 and decades later there was still no monument in a period when, as Zola said, statues seemed to spring up like mushrooms overnight. Although his own view was that a writer's work is his monument, Zola said that since statues exist it was wrong to neglect France's greatest novelist. One reason why Zola agreed to be president of the Société des Gens de Lettres in 1891 was probably to get the project going.

That year Henri Chapu was commissioned to do the work and produced a model seated, holding a plume and wearing the monkish dressing gown that Balzac always worked in, with a mask on the pedestal representing the novelist's "La Comédie Humaine." Then Chapu died with the job unfinished and Zola, who had known Rodin since 1889, perhaps earlier, persuaded him to be a candidate. Rodin wrote a letter promising a bronze about three meters tall, to be delivered in

Rodin called his statue of Balzac "the pivot of my aesthetic."

18 months, and was accepted by the Société. Rodin had failed to reckon with his own working methods, which involved collecting every document he could on Balzac, and visiting the novelist's native town of Tours to study local physiognomies (but not, it seems, reading Balzac's collected letters or "La Comédie Humaine"). "For me Balzac is above all a creator and that's what I want to show," he said.

He found a male model in Touraine, who disappeared. He made prodigious and stony statues of Balzac before clothing him, first in a frock coat and then in the famous robe. For the robe he got a real one, stiffened it and dipped it in plaster, and then made plaster studies, changing details of lapel and sleeve. The haircut and tilt of head were adjusted and readjusted; the

face, which began realistically, had its features blurred and eventually thickened into the roar of despairing genius. Rodin, of course, had missed his deadline.

Zola was no longer president of the Société. His successor threatened a lawsuit and another sculptor tried to get the commission, presenting a model of Balzac as a fiddly winged sphinx. Rodin made peace with the Société, putting his 10,000 franc advance in escrow and promising to do his best as quickly as he could. Zola urged him on: "Balzac awaits and his glory should not suffer because of your legitimate concerns about your own."

There were still people alive who had seen Balzac but for all his research Rodin was not attempting a portrait. His "Balzac" is a demimourne rather like himself and not a brain

(portraying intellect was not Rodin's strong point. His bust of Shaw, who was all gray matter, is deadly, and despite its name his "Thinker" is clearly a splendid athlete without a thought in his comely noodle). Probably he expected trouble when the completed plaster statue was to be shown at the Salon of 1898, for he also showed his admired "Kiss" in marble and took the precaution of inviting friendly journalists to see the work before the show.

One of the journalists saw Rodin's "Balzac," "drinking and breathing the fever of the human comedy," and another said that the statue at first glance is "a block, a rock, a monolith.... Little by little one discovers the form beneath the envelope, with the rapid light-footed movement of the heavy man and that way of shifting weight that Balzac had and that Lamartine described so well."

So far so good. Then the public came: "A block of salt caught in a shower," "a seal," "a bag of plaster," "a snowman in a bathrobe whose empty sleeve suggests a strait jacket" were some of the comments. The Société des Gens de Lettres turned the statue down.

"I got a broadside like the one you got when it was fashionable to laugh at your invention of putting the air into your landscapes," Rodin wrote to Monet. Bandalaire praised the depiction of Balzac as "the creature of a civilization and of all its battles, ambition and rages."

Rilke said Balzac's body showed the pride and arrogance of creation, its vertigo and drunkenness. Offers came from private collectors, a public subscription was started to buy the "Balzac," and a petition was signed by "Toulouse-Lautrec, Maillol, Clemenceau, Debussy, Monet and Anatole France, but not by Zola whose "J'accuse" came out the same year (Rodin had not joined in the Dreyfus campaign).

The scandal was perhaps inevitable, but 1898, with the Dreyfus affair and with parliamentary elections, was an edgy year: Rodin's statue subverted the conventional

view of greatness and might people thought, lead to such untoward acts as refusing to pay taxes and even revolution. Rodin refused the public subscription and all offers to buy and decided to keep the statue at Mendon, outside Paris, until the city was ready for it. "The Balzac statue is the logical development of my artistic career. I take entire responsibility for it. And my wish is to remain its sole owner."

But 10 years later the rejection still rankled and Rodin began a campaign for his "Balzac." It was 1908, the year the Balzac museum opened and he donated a plaster model. He also invited the 28-year-old American photographer Edward Steichen to Meudon to photograph the Balzac by moonlight. Steichen spent two nights at work and Rodin gave him 1,000 francs, comparing the images to Christ walking in the desert. "Your pictures will make the world understand my Balzac," he said.

Rodin died in 1917. In 1937 there was a Paris exhibition called "Monumental Errors" showing the "baroque masses of lard" that decorated Paris's public spaces and works, like the "Balzac," that should be there. A public subscription to cast the work in bronze was already under way (the curator of the Rodin museum gave a mighty 50 francs, the French Communist Party 500). That the bronze should be on public display had been accepted but then the quibbling began about where it should be placed, with no quarter of Paris showing much enthusiasm.

The inauguration in Montparnasse finally took place under gray and showery skies on July 1, 1939, and when war broke out shortly after it went back under wraps for the duration. In 1898, 41 years earlier, a young man who only identified himself as a 20-year-old artist wrote Rodin, addressing him as Illustré Maître, a fervent letter of encouragement. One day, he said, the statue would stand in the middle of Paris, breaking stupidity, error and hatred on its pedestal while posterity rendered its solemn homage.



RESEARCH — Sylvester Stallone, right, and producer Andy Wayn visiting a racetrack Friday near Budapest, to prepare for a film about Formula One racing.

PEOPLE

ARARE book in which Nicolaus Copernicus revolutionized astronomy has been stolen from Ukraine's National Vernadsky Library, the director said Friday. "There are only eight or 10 known copies of this work in the world," Alexei Oushenkov said. The work, "On the Revolutions of the Heavenly Spheres," was written in Latin and published in Nuremberg in 1543, the year of the Polish astronomer's death. In it, Copernicus put forward the controversial idea that the sun not the Earth was the center of the universe, defying Christian doctrine at the time.

A celebrity magazine that photographed Paul McCartney and his family in mourning at Notre Dame cathedral in Paris invaded their privacy and intruded upon their grief, a British press commission has ruled. Britain's Press Complaints Commission issued its ruling against Hello! magazine, which published photos on May 30 of McCartney and his family mourning his late wife, Linda, inside Notre Dame. Mrs. Mc-

Cartney died of breast cancer April 17. The ruling was the result of a complaint filed by McCartney. A family spokesman said the ruling "is not only a victory for decent human values, it is also a milestone adjudication in defense of anyone who finds themselves hounded merely because of questionable news values."

A judge issued arrest warrants for ODB of the rap group Wu-Tang Clan after he missed his third scheduled court date on a shoplifting charge. ODB, whose real name is Russell Tyrone Jones, is accused of stealing a pair of \$50 Nike shoes from a store in Virginia Beach, Virginia, on July 4 — three days after walking out of a New York hospital with gunshot wounds he suffered when his home was apparently robbed.

A coin dealer accused of swindling the novelist Tom Clancy out of more than \$2 million was indicted on 35 counts of conspiracy and securities

fraud. Prosecutors say Richard Scott bilked not only Clancy, but used the author's name to entice about 130 people in 17 states to invest \$7.5 million. Prosecutors said Scott fraudulently posed as a successful investor specializing in buying rare coins. He invested in a highly speculative mutual fund and used investors' money to pay credit card debt, buy electronic equipment and pay for gambling junkets. Clancy's lawyers contend, if convicted on all counts, Scott and two co-defendants could face more than 100 years in prison.

Art lovers can explore Claude Monet's world on a new Web site. The "Explore Monet's World" site was launched to coincide with an exhibition opening Sept. 20 at the Museum of Fine Arts in Boston. The Web site leads visitors on a tour of the places Monet lived and painted, including London, Venice and Giverny, France. The exhibition will run until Dec. 27. The Web site can be reached at www.finearts.org/monet.

And tipping?
Forget about it, it's an ancient French mystery.

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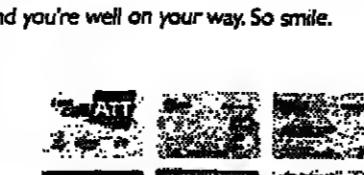
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